

RANDFONTEIN

LOCAL MUNICIPALITY



**2014-15 BUDGET AND MEDIUM
TERM REVENUE AND
EXPENDITURE FRAMEWORK**

Acronyms and abbreviations

BSC	Budget Steering Committee
CFO	Chief Financial Officer
MM	Municipal Manager
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DoRA	Division of Revenue Act
EXCO	Executive Committee
FBS	Free basic services
GVA	Gross Value Added
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
IBT	Inclining Block Tariff
IDP	Integrated Development Plan
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt hour
ℓ	litre
LED	Local Economic Development
MBBR	Local Government: Municipal Budget and Reporting Regulations
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act (56 of 2003)
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MAYCO	Mayoral Committee
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator of South Africa
PBO	Public Benefit Organisations
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan
VAT	Value Added Tax

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PART 1 – ANNUAL BUDGET

1.1 Mayor's report

The Executive Mayors' report on the budget will be tabled separately by the Executive Mayor during the Municipal Council meeting.

1.2 Council Budget Recommendations

The Council of Randfontein Local Municipality met on 28 March 2014 in the Council Chambers where the Executive Mayor tabled the 2014/15 Budget and Medium Term Revenue and Expenditure Framework (MTREF) for consideration for adoption by Council in terms of section 24(1) of the Municipal Finance Management Act (56 of 2003). At the meeting the Council made the following resolutions:

- 1.2.1 That cognisance be taken of the report of the Executive Mayor regarding the draft 2014/2015 budget and the 2015/2016 and 2016/2017 medium term forecast;
- 1.2.2 That Council of Randfontein Local Municipality, acting in terms of section 16(2) of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
- 1.2.3 The draft annual budget of the municipality for the financial year 2014/15 and the multi-year and single-year capital appropriations as set out in the following tables:
- 1.2.4 Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 15 on page 30. The operating budget is summarised as follows;

Revenue	-	938,652,052
Expenditure	-	992,066,469
Deficit	-	(53,414,417)

That cognisance be taken that the deficit is as a result of an increase in provision for depreciation amounting to **R109,266,742** which is not fully factored in the tariffs;

- 1.2.5 Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 15 on page 32;

- 1.2.6 Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 17 on page 34; and
- 1.2.7 Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 18 on page 36. The capital budget is summarised as follows;

MIG Funding	-	33,788,650
Provincial and National Governments	-	456,396
Own Funding	-	15,691,450
TOTAL	-	49,936,496

That cognisance be taken that capital maintenance and finance lease which were previously provided for in the operations budget are now classified in terms of GRAP 17 Standard as capital and a provision of **R8,958,050** has been made in the capital budget for this expenditure;

- 1.2.8 That the Council of Randfontein Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014 the following tariffs and rates:

- 1.2.8.1 refuse removal tariff - Annexure "2";
- 1.2.8.2 sewerage tariffs - Annexure "3";
- 1.2.8.3 water tariffs - Annexure "4";
- 1.2.8.4 electricity tariffs - Annexure "5";
- 1.2.8.5 property rates - Annexure "6";
- 1.2.8.7 sundry tariffs - Annexure "7";

- 1.2.9 That the Council of Randfontein Local Municipality approves the following 2014/15 revised draft budget related policies:

- 1.2.9.1 Property Rates Policy - Annexure "8";
- 1.2.9.2 Budget policy - Annexure "9";
- 1.2.9.3 Virement policy - Annexure "10";
- 1.2.9.4 Tariff policy exclusive of VAT - Annexure "11";
- 1.2.9.5 Indigent policy - Annexure "12";
- 1.2.9.6 Asset management policy - Annexure "13";
- 1.2.9.7 Cash management policy - Annexure "14";
- 1.2.9.8 Credit control policy - Annexure "15";
- 1.2.9.9 Supply Chain Management policy - Annexure "16";
- 1.2.9.10 Borrowing policy - Annexure "17";
- 1.2.9.11 Long term Financial Plan policy - Annexure "18";

- 1.2.9.12 Capital Project policy - Annexure “19”;
 - 1.2.9.13 Bad debt write-off policy - Annexure “20”;
 - 1.2.9.14 Unauthorized, Irregular, Fruitless and Wasteful expenditure policy – Annexure “21”
- 1.2.10 To give proper effect to the municipality’s annual budget, the Council of Randfontein Local Municipality approves:
- 1.2.11 That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of section 8 of the Municipal Budget and Reporting Regulations; and
- 1.2.12 That the municipality did not budget to raise long term loans to fund the capital budget.
- 1.2.13 That the Accounting Officer adheres to all prescribed requirements in terms of legislation regarding the submission of the budget document to the various institutions.
- 1.2.14 The tariffs and budget related policies mentioned above, together with the budget and Integrated Development Plan, will be taken through the public participation process during April and May 2014 prior to implementation.

1.3 Executive summary

The application of sound financial management principles for the compilation of the Randfontein financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities. Randfontein Local Municipality has revised and will implement its revenue enhancement project vigorously on implementing a range of revenue collection strategies to optimise the collection of mounting debt owed by consumers.

The National Treasury’s MFMA Circulars No. 51, 54, 55, 58, 66, 67, 70 and 72 were used to guide the compilation of the 2014/2015 MTREF. The main challenges experienced during the compilation of this 2014/15 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy, particularly the squeezed disposable income levels of individuals and households;

- Securing the health of the asset base (especially the revenue generating assets) by increasing spending on repairs and maintenance;
- Protecting the poor;
- Ensuring that drinking water and waste water management meets the required quality standards at all times;
- The need to re-prioritise projects and high expenditure rate within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases from Rand Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;
- Wage increases for municipal employees that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects –The municipality had to cut on its capital funding projects from internal sources as a result of declining cash and affordability. The municipality is currently building on its reserve to fund its future capital projections.

The following budget principles and guidelines directly informed the compilation of the 2014/15 MTREF:-

- The 2013/2014 Adjustments Budget priorities and targets, as well as the request from departments based on the five year plan adopted by council;
- Tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs. Randfontein Local Municipality has started a process of restructuring the tariffs for utility services. The electricity tariffs were restructured from Inclining Block Tariffs (IBT) to a single tariff for households and a Time of Use (TOU) for large users. The ToU structure will take cognisance of the peak, off-peak and standard tariffs charged by Eskom. This will instil a practice of load shifting amongst large users in particular. Also, the electricity tariff was increased by 7.39 per cent in line with recommendations from NERSA, which includes R0.0378 of environmental levy, to encourage more efficient use of the service and to generate the resources needed to fund the maintenance, renewal and expansion of the infrastructure required to provide the services.

- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- The following items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
 - Special Projects;
 - Consultant Fees; and
 - Furniture and office equipment;
- All unnecessary on nice-to-have items and non-essential activities like conference & seminars, refreshments: general and refreshment: meetings have to be curtailed or reduced drastically, in line with the MFMA circular 66,70 and 72 and the Cabinet Resolution of October 2013.

The rates and tariffs for various municipal services are increased as follows from the 2013/14 year. These increases are in line with the National Treasury guidelines contained in Budget Circulars 66, 67, 70 and 72:

- Property Rates 6.2%
- Electricity, average of 7.39%
- Water 8.1%
- Sewerage 6.2%
- Refuse 6%
- Tariffs for sundry services 6.2%

On the expenditure side, the percentage increases were as follows:

- Employee salaries 6.79%
- Councillor allowances 6.2%
- Water purchases 8.1%
- Electricity purchases 8.06%

In view of the aforementioned, the following table is a consolidated overview of the proposed 2014/2015 Medium-term Revenue and Expenditure Framework.

Table 1: Consolidated Overview of the 2014/2015 MTREF

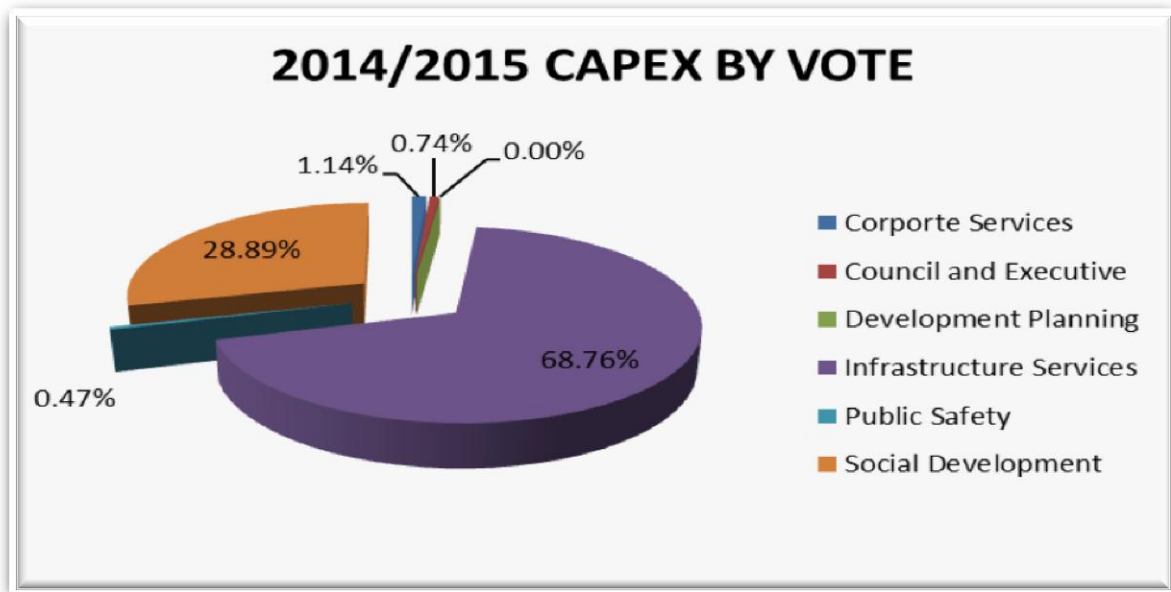
Budget Summary				
Total Operating Revenue	880 393 337.30	938 652 052.47	999 112 863.90	1 063 328 355.32
Total Operating Expenditure	939 852 520.18	992 066 469.20	1 050 164 260.24	1 103 601 202.63
Surplus/(Deficit) for the year	-59 459 182.87	-53 414 416.73	-51 051 396.34	-40 272 847.31
Total Capital Expenditure	126 958 060.00	49 936 496.74	75 053 240.60	65 619 556.50

Total operating revenue has grown by 7 per cent or R58, 2million for the 2014/2015 financial year when compared to the 2013/2014 Adjustments Budget. For the two outer years, operational revenue will increase by 6 per cent respectively, equating to a total revenue growth of R120 million over the MTREF when compared to the 2013/14 adjustment budget.

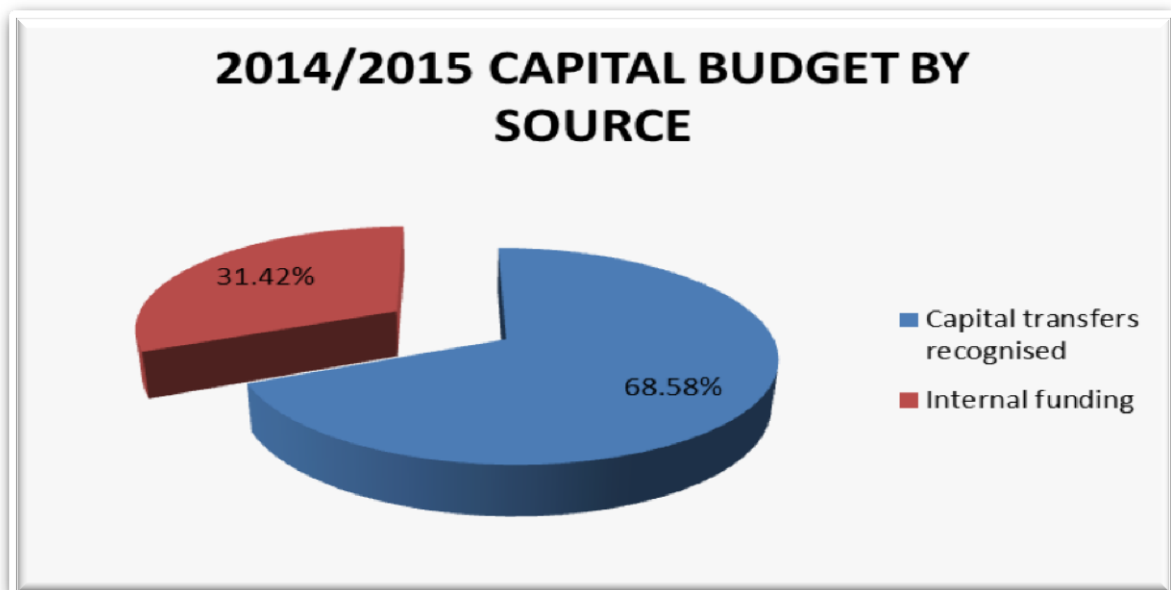
Total operating expenditure for the 2014/2015 financial year has been appropriated at R992 million and translates into an operating budgeted deficit of R53, 4million. This operating deficit is a non-cash deficit due to non-cash items like debt impairment (provision for bad debts), depreciation and year-end provisions of about R143million. MFMA Circular no.55 states that “there is no legal requirement that the operating budget (i.e. the Financial Performance Budget of a municipality must be balanced or be in surplus”). Furthermore MFMA Circular no.58 that, in preparation for 2012/2013 budget municipalities that have chosen the ‘revaluation model’ when implementing GRAP 17 must exclude the depreciation resulting from the revaluation of PPE when preparing their budgets and calculating any tariff increases.

When implementing GRAP 17 in 2008/09 financial year, Randfontein Local Municipality used the ‘revaluation model’ and subsequent to that used ‘cost model’ moving forward. When compared to the 2013/2014 Adjustment Budget, operational expenditure has grown by 6 per cent in the 2014/2015 budget and by 6 and 5.8 per cent for each of the respective outer years of the MTREF.

The capital budget of R49.9 million has been provided for 2014/2015 and has decreased by 61 per cent as compared to the 2013/2014 Adjustment Budget. Own funded capital projects were decreased by R41.0 million due to limitations of cash reserves and debt owed by the municipality to Eskom. A substantial portion of the capital budget will be reduced during 2014/15 financial year as most of the leased payment will be paid up.



Graph 2: 2014/2015 Capital Budget by Source



For 2014/2015 financial year the capital budget will be funded from capital transfers and grants at 68, 58% and internally generated at 31,42%. Internally funded projects will be limited to capital maintenance that has already been committed, and repayment of finance leases.

1.3.1 Operating Revenue Framework

For Randfontein Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue and expenditure management are fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipal area and continued economic development;
- Efficient revenue management, which aims to ensure a 96 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases of 7,39 per cent still to approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- The municipal property rates Act, 2004 (Act 6 of 2004) (MPRA);
- Impact of Census 2011;
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies for the municipality.

The following table is a summary of the 2014/2015 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source											
Property rates	2	70 214	65 093	78 443	106 439	106 439	106 439	106 439	112 732	119 831	126 299
Property rates - penalties & collection charges		—	—	—	—	—	—	—	—	—	—
Service charges - electricity revenue	2	252 376	297 163	328 863	383 250	383 250	383 250	383 250	411 572	441 987	474 650
Service charges - water revenue	2	50 431	72 513	68 053	115 320	115 320	115 320	115 320	124 661	134 758	145 674
Service charges - sanitation revenue	2	21 230	25 181	30 473	37 142	37 142	37 142	37 142	39 445	41 772	44 070
Service charges - refuse revenue	2	24 260	27 795	35 378	36 753	36 753	36 753	36 753	38 958	41 295	43 773
Service charges - other		4 628	1 063	43	2 713	2 493	2 493	2 493	1 675	1 787	1 906
Rental of facilities and equipment		1 465	1 746	1 987	2 283	2 383	2 383	2 383	2 533	2 686	2 838
Interest earned - external investments		2 184	1 333	2 896	1 440	1 440	1 440	1 440	1 508	1 598	1 686
Interest earned - outstanding debtors		9 072	1 946	8 475	8 000	8 000	8 000	8 000	8 496	8 997	9 492
Dividends received			—			—					
Fines		7 060	7 258	6 442	2 043	3 744	3 744	3 744	4 006	4 282	4 572
Licences and permits		27	69	57	14 010	43 683	43 683	43 683	86	91	96
Agency services		11 818	13 542	21 107	5 000	2 000	2 000	2 000	48 852	51 734	54 580
Transfers recognised - operational		132 538	133 441	137 118	124 697	126 697	126 697	126 697	130 558	133 915	138 538
Other revenue	2	8 918	30 904	20 309	12 016	11 050	11 050	11 050	13 571	14 379	15 155
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		596 220	679 048	739 643	851 105	880 393	880 393	880 393	938 652	999 113	1 063 328

Table 3 Percentage growth in revenue by main revenue source

Description			2014/15 Medium Term Revenue & Expenditure Framework				
	Adjusted Budget	%	Budget Year 2014/15	%	Budget Year +1 2015/16	%	Budget Year +2 2016/17
R thousand							
Revenue By Source							
Property rates	106 439	6%	112 732	6%	119 831	5%	126 299
Property rates - penalties & collection charges	–	0%		0%		0%	
Service charges - electricity revenue	383 250	7%	411 572	7%	441 987	7%	474 650
Service charges - water revenue	115 320	8%	124 661	8%	134 758	8%	145 674
Service charges - sanitation revenue	37 142	6%	39 445	6%	41 772	6%	44 070
Service charges - refuse revenue	36 753	6%	38 958	6%	41 295	6%	43 773
Service charges - other	2 493	-33%	1 675	7%	1 787	7%	1 906
Rental of facilities and equipment	2 383	6%	2 533	6%	2 686	6%	2 838
Interest earned - external investments	1 440	5%	1 508	6%	1 598	6%	1 686
Interest earned - outstanding debtors	8 000	6%	8 496	6%	8 997	6%	9 492
Dividends received	–	0%		0%		0%	
Fines	3 744	7%	4 006	7%	4 282	7%	4 572
Licences and permits	43 683	-100%	86	6%	91	6%	96
Agency services	2 000	2343%	48 852	6%	51 734	6%	54 580
Transfers recognised - operational	126 697	3%	130 558	3%	133 915	3%	138 538
Other revenue	11 050	23%	13 571	6%	14 379	5%	15 155
Gains on disposal of PPE		0%		0%		0%	
Total Revenue (excluding capital transfers and contributions)	880 393	7%	938 652	6%	999 113	6%	1 063 328

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. Rates and service charge revenues comprise 80.0 per cent of the total revenue mix. In the 2014/2015 financial year, revenue from rates and services charges totalled R729 million. This increases to R781 million and R836 million in the respective financial years of the MTREF. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity over the years. The above table includes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Property rates is the second largest revenue source totalling R112 million or 12 per cent of the total revenue and increases to R119 and R126 million by 2015/16. The third largest sources (besides other service charges) is transfer recognized-operational and fourth largest is 'other revenue' which consists of various items such as income received from rental of facilities, traffic fines, income from agency fees, building plan fees, connection fees, cemetery fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R130 million in the 2014/2015 financial year and steadily increases to R133 million by 2014/2016. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term.

Table 4 Operating Transfers and Grant Receipts

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
RECEIPTS:	1, 2									
<u>Operating Transfers and Grants</u>										
National Government:		75 308	83 638	97 973	100 773	102 773	102 773	106 560	108 563	111 953
Local Government Equitable Share		73 558	81 638	92 992	95 880	95 880	95 880	100 395	103 247	106 247
Finance Management		1 000	1 200	1 250	1 250	1 250	1 250	1 450	1 500	1 700
Municipal Systems Improvement		750	800	890	890	2 890	2 890	1 934	967	1 080
EPWP Incentive				1 000	1 000	1 000	1 000	1 003	1 003	1 003
Municipal Infrastructure Grant (MIG)				1 841	1 753	1 753	1 753	1 778	1 846	1 923
Provincial Government:		3 490	1 814	1 630	1 630	1 630	1 630	2 024	2 133	2 133
Sport and Recreation		3 400	300	1 630	1 630	1 630	1 630	2 024	2 133	2 133
Sport and Recreation		90								
Other transfers/grants [insert description]			1 514							
District Municipality:		4 203	955	1 835	1 835	1 835	1 835	700	700	700
HIV/AIDS		4 203	955	1 835	1 835	1 835	1 835	700	700	700
Other grant providers:		–	4 563	20 458	20 458	20 458	20 458	21 253	22 497	23 729
SDL subsidy			2 009	300	300	300	300	319	319	319
LG Seta			1 604	3 000	3 000	3 000	3 000	3 186	3 384	3 593
Health subsidy			250	434	434	434	434			
Transformation			700	–	–	–	–			
Other grant providers:				16 524	16 524	16 524	16 524	17 548	18 584	19 606
Bontle ke Botho				200	200	200	200	200	211	211
Total Operating Transfers and Grants	5	83 002	90 970	121 897	124 697	126 697	126 697	130 537	133 893	138 514

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised local economic conditions, the wage agreements with unions, other input costs of services provided by the municipality, the municipality's indigent policy and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

The percentage increases of both Eskom and Rand Water bulk tariffs are beyond the South African Reserve Bank inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality are largely outside the control of the municipality. The Eskom price increase of bulk electricity supplied to municipalities will increase by 8.06 per cent on 01st July 2014. Rand Water has notified municipalities that the proposed potable water tariff will be 8.1% per cent from 01st July 2014.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, materials and chemicals.

The current challenge facing Randfontein Local Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows:

1.3.1.1 Property rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. MFMA Budget Circular 59 and 70 for the 2013/14 MTREF cautioned municipalities to "adopt a conservative approach when projecting their expected revenues and cash receipts".

That the assessment The categories of rateable properties for purposes of levying rates is proposed to be increased by 6.2%. the primary rebate will be reduced by R50,000-00 for residential properties from the market value.

Table 5: Proposed 2013/2014 Property Rates Tariffs

SCHEDULE A

CATEGORY / DESCRIPTION	REBATE
Agricultural	Can apply
Commercial / Industrial	10 %
Government	0 %
Mining	0 %
Multi-Purpose	25 %
Public Service Infrastructure	0 %
Public Open Space	100 %
Parking	0 %
Recreational	25 %
Residential	10 %
Sectional Title	10 %
Vacant Stands	0 %
Municipal : Rateable	0%
Public Worship	100%

CATEGORY / DESCRIPTION	REBATE
Private Open Space	25%
Institute	0%
Private Owned PSI	25%
Township Title Properties	100%
Servitudes	0%
Education	0%

SCHEDULE B

RETIRED AND DISABLED RATE REBATE	
R 0 – R2500	Full rebate (Indigent)
R2501 – R3000	85 %
R3001 – R4500	70 %
R4501 – R6000	55 %
R6001 – R8000	40 %

SCHEDULE C

REBATE S ON AGRICULTURAL LAND	
No municipal roads next to property	7,5%
No municipal sewerage to the property	7,5%
No municipal electricity to the property	7,5%
No water supply to the property by the municipality	15%
No refuse removal provided by the municipality	7,5%
Contribution to job creation	5%

CONTRIBUTION TO SOCIAL AND ECONOMIC WELFARE OF FARM WORKERS	
Permanent residential property provided to the farm workers	5%
Residential property provide with potable water	5%
Residential property provide with potable water	5%
Residential property provide with electricity	5%
Availing land/buildings for education and recreational purposes for farm workers	5%

1.3.1.2 Sale of water and impact of tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply and high percentage of water losses. Randfontein Local Municipality is facing similar dilemma as any municipality in our country. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

National Treasury encourages municipalities to develop a pricing strategy to phase-in the necessary tariff increase in a manner that spreads the impact on consumers over a period of time if the water tariffs for municipalities is not fully cost reflective. National Treasury further encourages municipalities to put in place an appropriate strategy to limit water losses to acceptable levels and Rand Water will work together with municipalities to assist on water demand management. Water losses in 2012/2013 audited financial statements was 3%. The Infrastructure Department has developed a strategy to curb these high water losses, and it is imperative for the Department to implement the strategy vigorously and part of revenue enhancement and cost containment strategy.

Better maintenance of infrastructure, new reservoirs construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. Rand Water has proposed an indicative tariff increase of

about 8.1 per cent for municipal budgeting process. A tariff increase of 10.14 per cent from 1 July 2014 for water is therefore proposed. This is based on input cost assumptions of 8.1 per cent increase in the cost of bulk water (Rand Water) and 2 per cent of the administration costs. In addition, 6 kl water per 30-day period will once more be granted free of charge to all residents.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 6: Proposed water tariffs

WATER	CURRENT 2013/2014	PROPOSED 2014/2015	PROPOSED 2015/2016	PROPOSED 2016/2017
Basic charge per kl (pm)	18.55	20.05	21.67	23.42
0 to 6 kl @ (Rand Water costs	-	-	-	
7 to 15 kl	14.72	15.91	17.19	18.59
16 to 30 kl	16.40	17.72	19.15	20.70
31 kl and more	17.92	19.37	20.93	22.63
0 to 100 kl	15.69	16.96	18.33	19.82
101 kl and more	15.02	16.24	17.55	18.97
1 kl and more	13.29	14.37	15.53	16.79

1.3.1.3 Sale of electricity and impact of tariff Increases

The Eskom price increase of bulk electricity supplied to municipalities will increase by 8.6 per cent on 01st July 2014. NERSA issued a guideline determining an increase of 7.39% for municipal electricity tariffs. For 2014/2015, registered indigents will again be granted 100 kWh per month free of charge and the free 50 kWh that was provided to non-indigent households will be removed as part of the electricity tariff restructuring. Given its current cash flow challenges, the municipality can no longer afford this relief.

The approved budget for the Electricity Division can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply). Thus this budget does not provide for funding of expenditure in electrical infrastructure.

For the 2014-15 financial Year there has been slight changes in the electricity tariff structure.

- The change is that the time of use (TOU) structure is introduced for large consumers to reflect peak-of-peak and standard charges.
- The Inclining Block Tariff (IBT) structure for residential customers is retained with the tariffs being increased by 7.39% as per NERSA guideline.

Table 7: Proposed Electricity Tariffs

Domestic consumers with prepaid electricity meters (non-indigent households).

Tariffs blocks kwh	TARIFFS 2013/2014	CURRENT tariffs c/kwh 2014/2015	Proposed tariffs c/kwh 2015/2016	Proposed tariffs c/kwh 2016/2017
Block 1 (0 – 50) kWh	0.70	0.75	0.80	0.85
Block 2 (51 – 350) kWh	0.87	0.93	0.99	1.06
Block 3 (351 - 600) kWh	1.17	1.25	1.34	1.43
Block 4 (600) kWh	1.38	1.48	1.58	1.69

Domestic consumers with conventional electricity meters (non-indigent households).

Tariffs blocks kwh	CURRENT TARIFFS 2013/2014	CURRENT tariffs c/kwh 2014/2015	Proposed tariffs c/kwh 2015/2016	Proposed tariffs c/kwh 2016/2017
Block 1 (0 – 50) kwh	0.70	0.75	0.80	0.85
Block 2 (51 – 350) kwh	0.87	0.93	0.99	1.06
Block 3 (351 - 600) kwh	1.17	1.25	1.34	1.43
Block 4 (600) kwh	1.38	1.48	1.58	1.69
Basic/Fixed charge : R/month	108.79	116.82	125.45	134.72

Domestic consumers with prepaid electricity meters (Indigent households)

Tariffs blocks kwh	CURRENT TARIFFS 2013/2014	CURRENT tariffs c/kwh 2014/2015	Proposed tariffs c/kwh 2015/2016	Proposed tariffs c/kwh 2016/2017
Block 1 (0 - 100) kwh	0.70	0.75	0.80	0.85
Block 2 (101 - 350) kwh	0.87	0.93	0.99	1.06
Block 3 (351- 600) kwh	1.17	1.25	1.34	1.43
Block 4 (600) kwh	1.38	1.48	1.58	1.69

Domestic consumers with conventional electricity meters (Indigent households)

Tariffs blocks kwh	CURRENT TARIFFS 2013/2014	CURRENT tariffs c/kwh 2014/2015	Proposed tariffs c/kwh 2015/2016	Proposed tariffs c/kwh 2016/2017
Block 1 (0 - 100) kwh	0.70	0.75	0.80	0.85
Block 2 (101- 350) kwh	0.87	0.93	0.99	1.06
Block 3 (351 - 600)kwh	1.17	1.25	1.34	1.43
Block 4 (600) kwh	1.38	1.48	1.58	1.69
Basic/Fixed charge:R/ month	108.79	116.82	125.45	134.72

Commercial consumers below 70 kVA & other with conventional meters.

DESCRIPTION	CURRENT TARIFFS 2013/2014	CURRENT tariffs c/kwh 2014/2015	Proposed tariffs c/kwh 2015/2016	Proposed tariffs c/kwh 2016/2017
Energy charge	1.14	1.22	1.31	1.40
Basic / Fixed charge : R/months	281.54	302.35	324.69	348.68

Time of use for large consumers above 70 kVA

BULK TIME OF USE MV SUPPLY	CURRENT tariffs c/kwh 2014/2015
Basic / Fixed charge : R/month	1,655.87
Demand Charge : R/kVA per month	60.02
Access Charge : R/kVA per month	49.11
Energy charge : High Demand : Peak (c/kWh)	227.53
Energy charge : High Demand : Standard (c/kWh)	83.86
Energy charge : High Demand : Off-Peak (c/kWh)	55.32
Energy charge : Low Demand : Peak (c/kWh)	88.65
Energy charge : Low Demand : Standard (c/kWh)	67.69
Energy charge : Low Demand : Off-Peak (c/kWh)	50.77
Reactive energy : c/kVArh	3.00

BULK TIME OF USE LV SUPPLY	CURRENT tariffs c/kwh 2014/2015
Basic / Fixed charge : R/month	824.94
Demand Charge : R/kVA per month	66.03
Access Charge : R/kVA per month	54.02
Energy charge : High Demand : Peak (c/kWh)	238.91
Energy charge : High Demand : Standard (c/kWh)	88.05
Energy charge : High Demand : Off-Peak (c/kWh)	58.09
Energy charge : Low Demand : Peak (c/kWh)	93.08
Energy charge : Low Demand : Standard (c/kWh)	71.08
Energy charge : Low Demand : Off-Peak (c/kWh)	53.31
Reactive energy : c/kVArh	3.00

Streetlight tariff

DESCRIPTION	PROPOSED TARIFFS 2014/2015
Energy charge : c/kWh	96.04

1.3.1.4. Sanitation and impact of tariff Increases

A tariff increase of 6.2% per cent for sanitation from 1 July 2014 is proposed. The increase is based on the inflation forecast by National Treasury for the 2014/2015 financial year. Free sanitation (of 10 kℓ water) will be applicable to registered indigents. The total revenue expected to be generated from rendering this service amounts to R39 million for the 2014/2015 financial year. The following table compares the current and proposed tariffs:

Table 8: Proposed sanitation tariffs

SEWER	PRESENT 2013/2014	PROPOSED 2014/2015	PROPOSED 2015/2016	PROPOSED 2016/2017
LEVY ON LAND SIZE FOR ALL CONSUMERS				
0 – 500	19.24	20.43	21.70	23.05
501 – 1000	28.31	30.07	31.93	33.91
1001 – 1500	36.83	39.11	41.54	44.11
1501 – 2000	45.67	48.50	51.51	54.70
2001 – 2500	54.46	57.84	61.42	65.23
2501 – 3000	63.32	67.25	71.42	75.84
3001 – 3500	72.13	76.60	81.35	86.40
3501 – 4000	80.96	85.98	91.31	96.97
4001 – 4500	88.97	94.49	100.34	106.57
4501 – 5000	98.53	104.64	111.13	118.02
5001 – 5500	111.53	118.44	125.79	133.59
5501 – 6000	116.22	123.43	131.08	139.20
6001 – 6500	125.02	132.77	141.00	149.75
6501 – 7000	133.82	142.12	150.93	160.29
7501 – 8000	142.62	151.46	160.85	170.83
8001 – 8500	151.48	160.87	170.85	181.44
Bulk water per kl over 150 kl	0.75	0.80	0.85	0.90
House	88.69	94.19	100.03	106.23
Business per point	97.49	103.53	109.95	116.77
Bulk water per 150 kl	3.68	3.91	4.15	4.41

1.3.1.5 Solid waste removal and impact of tariff increase

A proposed average increase of 6 per cent is proposed for 2014/2015 on refuse removal. It is widely accepted that the rendering of this service should at least break even, which is currently not the case, hence the increase of 6%. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. A detailed refuse tariffs is attached as Annexure

Table 9 Proposed solid waste removal

REFUSE	APPROVED 2013-14	PROPOSED 2014-15	PROPOSED 2015-16	PROPOSED 2016-17
Business daily	636.50	674.69	715.17	758.08
CHARGE PER BIN COLLECTED				
Residential	129.30	137.06	145.28	154.00
Business	225.90	239.45	253.82	269.05
Flats	111.20	117.87	124.94	132.44
Industrial per M ³	49.52	52.49	55.64	58.98
Old Age Homes	32.64	34.60	36.67	38.87

1.3.2 Operating Expenditure Framework

The Municipality's expenditure framework for the 2014/2015 budget and MTREF is informed by the following:

Balanced budget constraint – for the past three years the municipality has been budgeting for a deficit and is currently reviewing its revenue enhancement strategy to eliminate budgeting for a deficit. This is due to high provision of debt impairment and depreciation as a result of a revaluation model for assets in compliance with GRAP 17; and

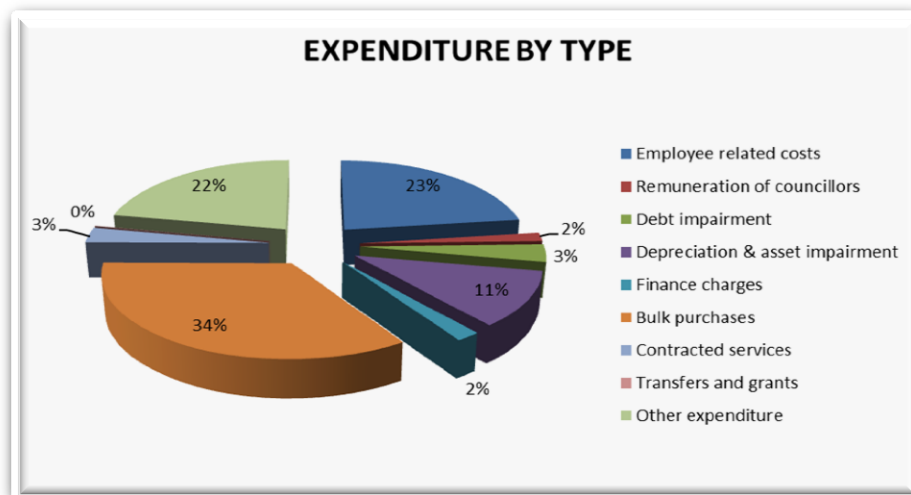
The capital programme is aligned to the asset renewal and backlog eradication plan; Operational gains and efficiencies will be directed to funding the capital budget and other core services.

The following table is a high level summary of the 2014/2015 budget and MTREF (classified per main type of operating expenditure):

Table 10: Summary of operating expenditure by item for the 2014/2015 MTREF

GT482 RANDFONTEIN – TABLE A4 CONSOLIDATED BUDGETED FINANCIAL PERFORMANCE (REVENUE & EXPENDITURE)

Description	Ref	2010/11	2011/12	2012/13				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Expenditure By Type										
Employee related costs	2	167 974	182 982	192 691	206 411 837	206 412	206 412	227 197	242 785	253 467
Remuneration of councillors		10 186	12 790	13 747	15 193 979	15 194	15 194	16 465	17 477	18 599
Debt impairment	3	7 844	–	36 128	60 481 035	60 481	60 481	33 910	36 310	36 310
Depreciation & asset impairment	2	102 345	107 826	108 185	121 264 903	121 265	121 265	109 267	109 813	110 911
Finance charges		5 967	13 937	17 879	17 624 940	17 625	17 625	18 614	19 642	20 565
Bulk purchases	2	216 685	271 455	292 648	314 396 209	314 396	314 396	339 767	367 186	396 743
Other materials	8		–	–						
Contracted services		28 035	28 041	26 704	27 804 268	27 804	27 804	28 864	30 087	30 805
Transfers and grants		475	400	420	420 000	420	420	420	420	420
Other expenditure	4, 5	118 794	111 153	110 052	176 255 348	176 255	176 255	217 563	226 443	235 781
Loss on disposal of PPE		(6)	(1 841)							
Total Expenditure		658 299	726 742	798 453	939 852 518	939 853	939 853	992 066	1 050 164	1 103 601

Graph 3: Expenditure by major type for the 2014/2015 financial year

The budgeted allocation for employee related costs for the 2014/2015 financial year amounts to R227million, which equals 23 per cent of the total operating expenditure, Employee related cost overall will increase by 7%, of which 6.95% is for multi-year salary and wage collective agreement for the period 1 July 2013 to 30 June 2015 general increase whilst 2.15% is for notch increases and other non-inflation linked items like overtime, annual bonuses, long service awards, leave payments and vacant positions.

The agreement provides for a wage increase based on the average CPI for the 1 February 2012 until 31 January 2014, plus 1 per cent for the 2014/2015 financial year, the average CPI for this period is 5.4 per cent.

The following are highlights of the components of operating expenditure:

- A total annual increase of 6.4 per cent has been included in the two outer years of the MTREF.
- Expenditure against overtime has decreased by 1 per cent with provisions against employee total cost. overtime is only being provided for emergency services and other critical functions;
- The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation (Government Gazette no.35962) in this regard has been taken into account in compiling the municipality's budget and an increase of 6.8 percent has factored in, taking into consideration grading number 5 of the municipality;
- The provision of debt impairment was determined based on an annual collection rate of 90% per cent. For the 2014/2015 financial year this amount equates to R33 million and R36 million by 2015/16. This expenditure is considered to be a non-cash flow item;
- Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset of consumption of assets. Budget appropriations in this regard total R109 million for the 2014/2015 financial and equates to 11 per cent of the total operating expenditure;
- Finance charges consist primarily of the repayment of interest on long-term borrowing and interest (Finance charges make up 2 per cent of operating expenditure excluding annual redemption);
- Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Rand Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures exclude distribution losses;
- In line with the Randfontein Local municipality repairs and maintenance plan this group of expenditure has been prioritized to ensure sustainability of the infrastructure. For 2014/2015 a provision of R28 m has been made available and R 30 million and R 31,7 million respectively for 2015/2016 and 2016/2017; and

- Other general expenses have been identified as one of the highest cost drivers for the municipality. In the 2014/2015 financial year, this group of expenditure totals R217 million or 22 per cent of the total budget. The following table gives a breakdown of the main expenditure categories for the 2014/2015 financial year.

1.3.2.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the municipality current infrastructure, the 2014/2015 budget and MTREF provides 4.31 per cent. This includes the capital maintenance growth in the area of asset maintenance, as informed by the availability of resources and asset renewal strategy.

In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. The total allocation for 2014/2015 equates to R28.5 million (operational) and R5,2 million (for Capital maintenance). This increases by R4.9 million and will continue to grow at 8 per cent by 2016/2017.

During the compilation of the 2014/2015 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. However the municipality cannot afford the 8% due to the budgetary constraints. Efforts will be made in future to align with the National treasury guidelines.

Table 11: Repairs and maintenance expenditure per asset classification

GT482 Randfontein - Supporting Table SA34c Consolidated repairs and maintenance by asset class									
Description R thousand	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure	19 004	10 946	10 600	20 563	20 920	20 920	23 353	24 652	25 992
Infrastructure - Road transport	9 334	4 397	2 551	7 017	7 189	7 189	7 635	8 085	8 530
<i>Roads, Pavements & Bridges</i>	7 256	2 397	2 052	5 017	5 189	5 189	5 511	5 836	6 157
<i>Storm water</i>	2 078	2 000	499	2 000	2 000	2 000	2 124	2 249	2 373
Infrastructure - Electricity	4 218	1 409	2 665	5 611	5 881	5 881	6 427	6 774	7 139
<i>Transmission & Reticulation</i>	3 334	721	1 860	4 401	4 871	4 871	5 144	5 422	5 715
<i>Street Lighting</i>	884	688	805	1 210	1 010	1 010	1 283	1 352	1 425
Infrastructure - Water	2 362	2 500	1 772	2 772	2 742	2 742	2 938	3 097	3 264
<i>Reticulation</i>	2 362	2 500	1 772	2 772	2 742	2 742	2 938	3 097	3 264
Infrastructure - Sanitation	1 160	1 461	1 801	2 105	2 105	2 105	2 231	2 351	2 478
<i>Reticulation</i>	1 128	1 461		1 592	1 592	1 592	1 688	1 779	1 875
<i>Sewerage purification</i>	32		1 801	513	513	513	543	573	604
Infrastructure - Other	1 930	1 179	1 811	3 059	3 004	3 004	4 122	4 345	4 580
<i>Waste Management</i>	288	404	445	1 031	976	976	1 093	1 152	1 214
<i>Other</i>	1 642	775	1 366	2 028	2 028	2 028	3 030	3 193	3 366
Community	1 310	2 389	1 404	4 023	3 994	3 994	4 382	4 631	4 884
Parks & gardens	309	215	417	890	890	890	1 243	1 316	1 388
Swimming pools	146		–	148	148	148			
Community halls		800	73	500	500	500	530	559	589
Libraries	4	208	–	14	14	14	15	15	16
Recreational facilities	9	517	266		100	100	1 156	1 218	1 284
Security and policing	24	72	61	1 135	1 135	1 135	157	166	175
Clinics	5	41	9		–	–			
Cemeteries	814	425	560	1 208	1 207	1 207	1 282	1 357	1 432
Other		111	17	128	–	–			
Other assets	444	838	178	5 131	1 073	1 073	799	845	891
General vehicles	6	22	5	76	61	61	65	69	72
Plant & equipment	2	4	–	15	15	15	16	17	18
Furniture and other office equipment	152	220	89	782	731	731	165	175	185
Other Buildings	256	558	62	4 052	52	52	316	334	352
Other	29	35	23	205	214	214	237	251	264
Total Repairs and Maintenance Expenditure	20 759	14 173	12 181	29 718	25 987	25 987	28 534	30 129	31 767

1.3.2.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Randfontein Local Municipality Indigent Management Policy. The target is to register 8000 or more indigents households during the 2014/2015 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 23 MBRR A10 (Basic Service Delivery Measurement).

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share of R100m receivable in terms of the annual Division of Revenue Act.

1.4 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote.

Table 12: Capital expenditure by Standard Classification

GT482 Randfontein - Table A5 Consolidated Budgeted Capital Expenditure by vote, standard classification and funding								
Vote Description R thousand	Ref	2014/15 Medium Term Revenue & Expenditure Framework						
		Adjusted Budget	%	Budget Year 2014/15	%	Budget Year +1 2015/16	%	Budget Year +2 2016/17
Capital Expenditure - Standard								
<i>Governance and administration</i>		7 032	-87%	940	237%	3 171		—
Executive and council		591	-37%	371	540%	2 371		—
Budget and treasury office		50	-100%		0%			
Corporate services		6 391	-91%	569	41%	800		—
<i>Community and public safety</i>		35 719	-56%	15 797	-2%	15 555	-17%	12 868
Community and social services		29 049	-90%	2 791	453%	15 440	-44%	8 695
Sport and recreation		2 104	507%	12 770	-99%	116	3510%	4 173
Public safety		4 566	-95%	237	-100%	—		—
Housing					0%			
Health					0%			
<i>Economic and environmental services</i>		31 484	-20%	25 320	78%	45 167		35 892
Planning and development		1 200	-50%	600	557%	3 940	-77%	900
Road transport		30 284	-18%	24 720	67%	41 228	-15%	34 992
Environmental protection			0%		0%			
<i>Trading services</i>		52 723	-85%	7 879	42%	11 160	51%	16 860
Electricity		29 050	-93%	2 100	138%	5 000	154%	12 700
Water		13 551	-85%	1 970	86%	3 660	0%	3 660
Waste water management		3 146	-96%	120	-100%	—		—
Waste management		6 975	-47%	3 689	-32%	2 500	-80%	500
<i>Other</i>					0%			
Total Capital Expenditure - Standard	3	126 958	-61%	49 936	50%	75 053	-13%	65 620

In the 2014/2015 an amount of R 32 million has been appropriated for the development of infrastructure which represents 70 per cent of the total capital budget. Transport and roads receives the highest allocation of R25million in 2014/2015 which equates to 50 per cent followed by social infrastructure at 25.0 per cent or R12 million and then waste water at 7.0 per cent or R3,6 million.

Expenditure in new assets represent R28 million of the total capital budget while asset renewal equates to R21 million. Further detail relating to asset classes and proposed capital expenditure is contained in Table SA 34(a) and (b) and A9 (Asset Management) of the MBRR. In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class. Some of the salient projects to be undertaken over the medium-term includes, amongst others:

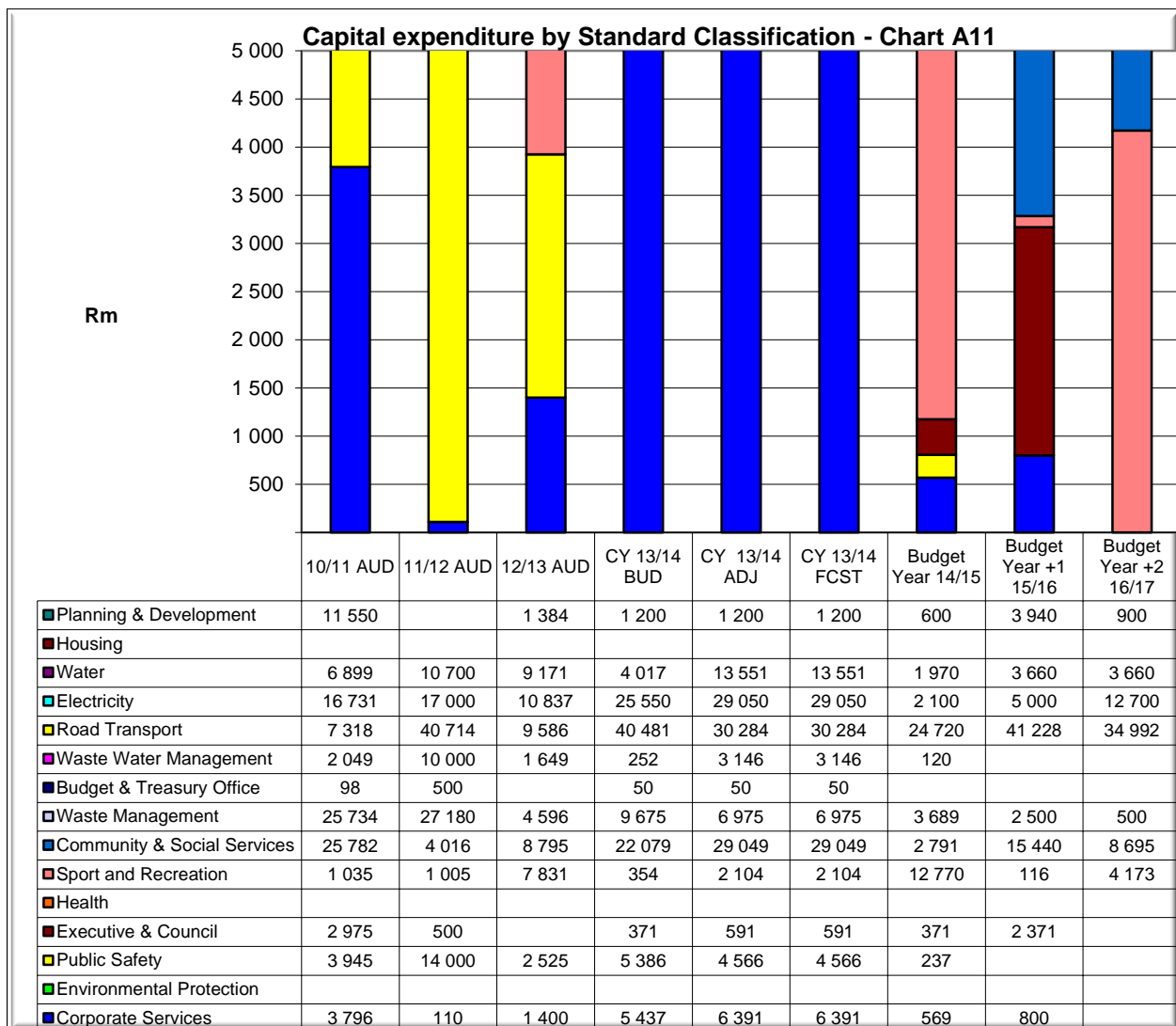
- IT Dept. - Computer Equipment - R 500 000.00
- Leased Vehicles- Corporate - R 31 658.94
- Leased Vehicles- Corporate - R 37 592.47
- Leased Vehicles-Office of the mayor - R 185 250.00
- Leased Vehicles-Office of the Speaker - R 185 250.00
- Leased Vehicles- Cemetery - R 13 513.61
- Infrastructure Maintenance : Parks - R 400 900.00
- Leased Vehicles- Parks - R 1 320 292.09
- Leased Vehicles- Electricity - R 2 100 435.29
- Infrastructure Maintenance: Storm Water -R 2 000 000.00
- Leased Vehicles Roads and Storm Water - R 1 191 441.96
- Infrastructure Maintenance : Sanitation - R 500 000.00
- Leased Vehicle- Sanitation - R 400 145.78
- Leased Vehicles- Purification - R 120 170.65
- Leased Vehicles- Refuse Removal R 1 273 576.29
- Leased Vehicles- Landfill Site - R 1 364 955.33
- Leased Vehicles- Water - R 387 306.17
- Infrastructure Maintenance: Water - R 1 582 500.00
- Construction of Roads and Storm water at Mohlakeng Ext 11- R 6 528 827.00
- Procure street litter bins - R 150 000.00
- Rehabilitation of roads in Mohlakeng - R 12 000 000.00
- Upgrading Badirile Pipeline - R 3 000 000.00
- Leased Vehicles- Public Safety - R 236 771.38
- Infrastructure Maintenance: Buildings - R 600 000.00
- Finsbury Sports Complex - R 1 825 956.00
- Tattle Tape Strips for Library Books - R 50 000.00
- Toekomsrus Sports Complex (Phase 1) - R 9 833 867.00
- Mohlakeng Stadium - R 1 000 000.00
- Procuring of new books at New Mohlakeng Library - R 406 396.00

- Construction of the Early Childhood Development - R 600 000.00
- Leased Vehicles - SRAC R 109 690.78

The following table provides a breakdown of the capital budget to be spent on infrastructure.

Table 13: Capital Budget per Infrastructure Type

GT482 Randfontein - Table A9 Consolidated Asset Management										
Description	Re	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
CAPITAL EXPENDITURE										
Total New Assets	1	41 213	33 096	46 556	86 571	103 897	103 897	28 853	31 634	35 271
Infrastructure - Road transport		8 613	2 000	8 827	15 500	9 104	9 104	6 529	9 843	17 497
Infrastructure - Electricity		4 000	1 200	8 387	11 950	26 200	26 200	2 100	5 000	12 700
Infrastructure - Water		13 049	1 000	8 486	14 221	11 234	11 234	—	—	—
Infrastructure - Sanitation		5 027	—	1 257	1 000	1 000	1 000	—	2 000	—
Infrastructure - Other		—	—	4 596	—	270	270	—	—	—
Infrastructure		30 689	4 200	31 553	42 670	47 808	47 808	8 629	16 843	30 197
Community		4 411	10 636	10 917	15 864	23 540	23 540	12 716	3 415	4 051
Other assets	6	6 113	18 260	4 086	28 037	32 550	32 550	7 508	11 376	1 022
Total Renewal of Existing Assets										
Infrastructure - Road transport	2	50 231	93 597	11 219	28 681	23 061	23 061	21 083	43 419	30 349
Infrastructure - Electricity		12 000	—	5 416	20 311	16 311	16 311	17 000	26 384	17 494
Infrastructure - Water		—	14 480	—	1 600	—	—	—	—	—
Infrastructure - Sanitation		—	2 900	2 044	1 900	1 500	1 500	1 583	3 660	3 660
Infrastructure - Other		—	—	255	1 000	1 000	1 000	500	500	500
Infrastructure - Other		—	17 083	—	400	400	400	—	—	—
Infrastructure		12 000	34 463	7 715	25 211	19 211	19 211	19 083	30 544	21 654
Community		—	26 887	2 280	2 270	2 150	2 150	1 401	12 025	7 795
Investment properties		—	13 469	—	—	—	—	—	—	—
Other assets	6	—	13 929	1 223	1 200	1 700	1 700	600	850	900
Agricultural Assets		—	4 850	—	—	—	—	—	—	—
Biological assets		859	—	—	—	—	—	—	—	—
Intangibles		37 372	—	—	—	—	—	—	—	—
Total Capital Expenditure										
Infrastructure - Road transport	4	20 613	2 000	14 243	35 811	25 414	25 414	23 529	36 228	34 992
Infrastructure - Electricity		4 000	15 680	8 387	13 550	26 200	26 200	2 100	5 000	12 700
Infrastructure - Water		13 049	3 900	10 530	16 121	12 734	12 734	1 583	3 660	3 660
Infrastructure - Sanitation		5 027	—	1 512	2 000	2 000	2 000	500	2 500	500
Infrastructure - Other		—	17 083	4 596	400	670	670	—	—	—
Infrastructure		42 689	38 663	39 269	67 881	67 018	67 018	27 712	47 388	51 852
Community		4 411	37 523	13 197	18 134	25 690	25 690	14 117	15 440	11 846
Investment properties		—	13 469	—	—	—	—	—	—	—
Other assets		6 113	32 189	5 309	29 237	34 250	34 250	8 108	12 226	1 922
Agricultural Assets		—	4 850	—	—	—	—	—	—	—
Biological assets		859	—	—	—	—	—	—	—	—
Intangibles		37 372	—	—	—	—	—	—	—	—
TOTAL CAPITAL EXPENDITURE -	2	91 443	126 693	57 774	115 252	126 958	126 958	49 936	75 053	65 620
ASSET REGISTER SUMMARY - P										
Infrastructure - Road transport	5	8 484	1 059	2 123 378	833 809	833 809	833 809	1 140 143	1 095 079	1 074 012
Infrastructure - Electricity		4 000	—	—	725 072	725 072	725 072	736 612	707 495	693 887
Infrastructure - Water		1 411	—	—	341 709	341 709	341 709	146 503	140 712	138 005
Infrastructure - Sanitation		5 027	1 000	—	154 577	154 577	154 577	227 760	218 757	214 549
Infrastructure - Other		1 228	—	—	51 526	51 526	51 526	31 403	30 161	29 581
Infrastructure		20 150	2 059	2 123 378	2 106 692	2 106 692	2 106 692	2 282 421	2 192 204	2 150 035
Community		34 712	6 861	176 319	286 442	286 442	286 442	169 282	162 590	159 463
Heritage assets		—	—	—	128 814	128 814	128 814	2 244	2 244	2 244
Investment properties		13 469	12 389	120 170	14 223	120 170	120 170	127 621	135 150	142 584
Other assets		17 405	5 810	259 668	57 628	57 628	57 628	—	—	—
Agricultural Assets		—	—	2 244	—	576	576	612	648	683
Biological assets		859	1 780	972	1 780	2 752	2 752	2 923	3 095	3 265
Intangibles		37 372	36 603	37 038	15 000	37 038	37 038	39 334	41 655	43 946
TOTAL ASSET REGISTER SUMM.	5	123 967	65 502	2 719 790	2 610 578	2 740 111	2 740 111	2 624 436	2 537 586	2 502 220
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment		102 345	107 826	108 185	121 326	121 265	121 265	109 267	109 813	110 911
Repairs and Maintenance by Asset	3	20 759	14 173	12 181	29 718	25 987	25 987	28 534	30 129	31 767
Infrastructure - Road transport		9 334	4 397	2 551	7 017	7 189	7 189	7 635	8 085	8 530
Infrastructure - Electricity		4 218	1 409	2 665	5 611	5 881	5 881	6 427	6 774	7 139
Infrastructure - Water		2 362	2 500	1 772	2 772	2 742	2 742	2 938	3 097	3 264
Infrastructure - Sanitation		1 160	1 461	1 801	2 105	2 105	2 105	2 231	2 351	2 478
Infrastructure - Other		1 930	1 179	1 811	3 059	3 004	3 004	4 122	4 345	4 580
Infrastructure		19 004	10 946	10 600	20 563	20 920	20 920	23 353	24 652	25 992
Community		1 310	2 389	1 404	4 023	3 994	3 994	4 382	4 631	4 884
Other assets	5, 7	444	838	178	5 131	1 073	1 073	799	845	891
TOTAL EXPENDITURE OTHER ITEM		123 103	121 999	120 366	151 044	147 252	147 252	137 801	139 942	142 678
Renewal of Existing Assets as % of total		54.9%	73.9%	19.4%	24.9%	18.2%	18.2%	42.2%	57.9%	46.2%
Renewal of Existing Assets as % of dep		49.1%	86.8%	10.4%	23.6%	19.0%	19.0%	19.3%	39.5%	27.4%
R&M as a % of PPE		0.8%	0.5%	0.5%	1.2%	1.0%	1.0%	1.2%	1.3%	1.4%
Renewal and R&M as a % of PPE		57.0%	165.0%	1.0%	2.0%	2.0%	2.0%	2.0%	3.0%	2.0%



1.5 Annual Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2014/15 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes on the facing page.

Table14: MBRR A1-Consolidated Budget Summary

GT482 Randfontein - Table A1 Consolidated Budget Summary										
Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Financial Performance										
Property rates	70 214	65 093	78 443	106 439	106 439	106 439	106 439	112 732	119 831	126 299
Service charges	352 925	423 715	462 810	575 178	574 958	574 958	574 958	616 310	661 600	710 072
Investment revenue	2 184	1 333	2 896	1 440	1 440	1 440	1 440	1 508	1 598	1 686
Transfers recognised - operational	132 538	133 441	137 118	124 697	126 697	126 697	126 697	130 558	133 915	138 538
Other own revenue	38 360	55 466	58 377	43 352	70 860	70 860	70 860	77 544	82 169	86 732
Total Revenue (excluding capital transfers and contributions)	596 220	679 048	739 643	851 105	880 393	880 393	880 393	938 652	999 113	1 063 328
Employee costs	167 974	182 982	192 691	216 103	206 412	206 412	206 412	227 197	242 785	253 467
Remuneration of councillors	10 186	12 790	13 747	15 194	15 194	15 194	15 194	16 465	17 477	18 599
Depreciation & asset impairment	102 345	107 826	108 185	121 326	121 265	121 265	121 265	109 267	109 813	110 911
Finance charges	5 967	13 937	17 879	8 657	17 625	17 625	17 625	18 614	19 642	20 565
Materials and bulk purchases	216 685	271 455	292 648	314 396	314 396	314 396	314 396	339 767	367 186	396 743
Transfers and grants	475	400	420	420	420	420	420	420	420	420
Other expenditure	154 667	137 353	172 883	235 432	264 541	264 541	264 541	280 337	292 841	302 896
Total Expenditure	658 299	726 742	798 453	911 527	939 853	939 853	939 853	992 066	1 050 164	1 103 601
Surplus/(Deficit)	(62 078)	(47 694)	(58 810)	(60 423)	(59 459)	(59 459)	(59 459)	(53 414)	(51 051)	(40 273)
Surplus/(Deficit) after capital transfers & contributions	(62 078)	(47 694)	(58 810)	(60 423)	(59 459)	(59 459)	(59 459)	(53 414)	(51 051)	(40 273)
Surplus/(Deficit) for the year	(62 078)	(47 694)	(58 810)	(60 423)	(59 459)	(59 459)	(59 459)	(53 414)	(51 051)	(40 273)
Capital expenditure & funds sources										
Capital expenditure	107 912	125 724	57 774	114 852	126 958	126 958	126 958	49 936	75 053	65 620
Transfers recognised - capital	43 678	35 816	34 037	62 501	70 158	70 158	70 158	34 245	40 071	51 538
Internally generated funds	64 234	89 909	23 737	52 351	56 800	56 800	56 800	15 691	34 982	14 082
Total sources of capital funds	107 912	125 724	57 774	114 852	126 958	126 958	126 958	49 936	75 053	65 620
Financial position										
Total current assets	70 427	132 546	131 341	232 758	93 202	93 202	93 202	86 641	104 155	149 449
Total non current assets	2 673 657	2 669 068	2 719 790	2 707 710	2 770 099	2 770 099	2 770 099	2 727 301	2 647 117	2 618 470
Total current liabilities	172 588	237 038	226 802	250 045	189 533	189 533	189 533	201 284	213 159	224 883
Total non current liabilities	65 704	91 902	88 415	85 396	83 540	83 540	83 540	88 719	59 960	63 257
Community wealth/Equity	2 505 791	2 472 673	2 539 747	2 605 027	2 590 228	2 590 228	2 590 228	2 523 939	2 478 153	2 479 779
Cash flows										
Net cash from (used) operating	22 453	93 996	133 042	64 318	90 876	90 876	90 876	51 157	100 056	120 852
Net cash from (used) investing	(72 931)	(126 544)	(56 283)	(59 515)	(82 405)	(82 405)	(82 405)	(44 111)	(72 438)	(65 854)
Net cash from (used) financing	16 601	35 477	(22 580)	(2 053)	(2 053)	(2 053)	(2 053)	(8 685)	225	204
Cash/cash equivalents at the year end	(2 832)	97	54 275	3 000	6 669	6 669	6 669	5 030	32 874	88 077
Cash backing/surplus reconciliation										
Cash and investments available	(2 832)	10 676	53 016	12 098	17 236	17 236	17 236	16 648	45 646	102 119
Application of cash and investments	78 778	73 178	128 229	9 930	40 378	40 378	40 378	26 655	35 072	50 136
Balance - surplus (shortfall)	(81 610)	(62 503)	(75 213)	2 169	(23 142)	(23 142)	(23 142)	(10 007)	10 574	51 982
Asset management										
Asset register summary (WDV)	123 967	65 502	2 719 790	2 610 578	2 740 111	2 740 111	2 624 436	2 624 436	2 537 586	2 502 220
Depreciation & asset impairment	102 345	107 826	108 185	121 326	121 265	121 265	109 267	109 267	109 813	110 911
Renewal of Existing Assets	50 231	93 597	11 219	28 681	23 061	23 061	23 061	21 083	43 419	30 349
Repairs and Maintenance	20 759	14 173	12 181	29 718	25 987	25 987	28 534	28 534	30 129	31 767
Free services										
Cost of Free Basic Services provided	–	44 704	–	52 000	52 000	52 000	52 000	52 000	52 000	52 000
Revenue cost of free services provided	–	42 437	–	60 000	60 000	60 000	60 000	60 000	60 000	60 000
Households below minimum service level										
Water:	–	–	–	–	–	–	–	–	–	–
Sanitation/sewerage:	–	–	–	1	1	1	1	1	1	1
Energy:	–	–	–	–	–	–	–	–	–	–
Refuse:	–	78	–	9	9	9	9	9	9	9

Explanatory notes to MBRR Table A1 - Budget Summary

- a. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
- b. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
- c. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
- d. There is an operating deficit (after Total Expenditure) over the MTREF
- e. Capital expenditure is balanced by capital funding sources
- f. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget.
- g. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. These places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2015/2016, when a small surplus is reflected.
- h. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the community and the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2015/16 the water backlog will have been very nearly eliminated.

Table 15: MBRR A-2 Consolidated Budget Financial Performance (Revenue and Expenditure by Standard Classification)

GT482 Randfontein - Table A2 Consolidated Budgeted Financial Performance (revenue and expenditure by standard classification)										
Standard Classification Description	Revenue	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue - Standard										
<i>Governance and administration</i>		180 610	164 590	205 041	185 135	190 120	190 120	200 753	210 472	220 815
Executive and council		26 214	37 983	94 979	33 632	36 632	36 632	38 355	39 464	40 587
Budget and treasury office		152 738	122 539	109 408	145 665	147 665	147 665	156 293	164 588	173 474
Corporate services		1 658	4 069	654	5 838	5 823	5 823	6 106	6 420	6 754
<i>Community and public safety</i>		14 748	19 867	13 822	5 871	8 768	8 768	8 251	8 687	9 009
Community and social services		1 954	3 859	4 249	2 991	2 994	2 994	3 473	3 667	3 752
Sport and recreation		90	403	3 074	610	540	540	573	607	641
Public safety		6 559	9 617	6 499	—	3 281	3 281	3 484	3 690	3 893
Housing		—	—	—	—	—	—	—	—	—
Health		6 146	5 988	—	2 270	1 952	1 952	721	722	724
<i>Economic and environmental serv</i>		15 887	19 896	58 013	25 563	51 832	51 832	54 981	58 166	61 310
Planning and development		3 813	7 551	2 029	11 033	7 213	7 213	7 601	7 991	8 375
Road transport		12 064	12 345	45 723	14 319	44 419	44 419	47 168	49 951	52 698
Environmental protection		10	—	10 260	211	200	200	212	225	237
<i>Trading services</i>		384 975	474 642	462 767	634 536	629 674	629 674	674 666	721 788	772 194
Electricity		260 085	312 902	328 863	422 464	411 627	411 627	441 403	472 879	506 666
Water		66 541	88 352	68 053	127 634	127 634	127 634	137 557	148 029	159 339
Waste water management		27 140	35 833	30 473	45 796	45 338	45 338	48 030	50 607	53 167
Waste management		31 209	37 555	35 378	38 643	45 075	45 075	47 677	50 273	53 022
<i>Other</i>	4	—	—	—	—	—	—	—	—	—
Total Revenue - Standard	2	596 220	678 996	739 643	851 105	880 393	880 393	938 652	999 113	1 063 328
Expenditure - Standard										
<i>Governance and administration</i>		143 871	170 978	411 465	203 716	209 490	209 490	234 389	238 518	236 976
Executive and council		52 052	61 180	206 438	75 058	72 472	72 472	71 946	77 166	80 811
Budget and treasury office		38 710	51 312	188 895	64 382	72 656	72 656	98 827	94 006	85 373
Corporate services		53 109	58 486	16 131	64 276	64 363	64 363	63 615	67 346	70 792
<i>Community and public safety</i>		63 573	64 521	30 560	64 231	62 903	62 903	73 832	78 157	81 334
Community and social services		9 523	9 725	3 769	14 514	14 084	14 084	15 489	16 408	16 615
Sport and recreation		24 962	21 754	11 014	26 135	25 963	25 963	28 398	30 039	31 265
Public safety		22 402	26 174	12 948	22 861	21 971	21 971	29 005	30 717	32 406
Housing		—	—	—	—	—	—	—	—	—
Health		6 686	6 868	2 828	720	884	884	939	994	1 048
<i>Economic and environmental serv</i>		84 053	95 313	23 177	110 724	136 029	136 029	137 834	143 397	150 861
Planning and development		22 585	22 249	7 430	29 009	26 338	26 338	31 174	32 839	34 032
Road transport		59 142	73 064	15 747	72 902	104 149	104 149	106 660	110 558	116 829
Environmental protection		2 326	—	—	8 814	5 541	5 541	—	—	—
<i>Trading services</i>		366 802	395 930	333 251	532 856	531 431	531 431	546 012	590 092	634 430
Electricity		236 084	239 538	247 454	360 387	360 359	360 359	326 225	375 717	426 506
Water		59 955	76 087	45 193	90 826	90 884	90 884	112 865	111 869	110 364
Waste water management		35 565	46 598	19 947	44 584	44 479	44 479	59 433	56 830	53 311
Waste management		35 198	33 707	20 657	37 059	35 709	35 709	47 489	45 676	44 250
<i>Other</i>	4	—	—	—	—	—	—	—	—	—
Total Expenditure - Standard	3	658 299	726 742	798 453	911 527	939 853	939 853	992 066	1 050 164	1 103 601
Surplus/(Deficit) for the year		(62 078)	(47 746)	(58 810)	(60 423)	(59 459)	(59 459)	(53 414)	(51 051)	(40 273)

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

- Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile „whole of government“ reports.
- Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
- Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

Table 16: MBRR A-3 Consolidated Budgeted Financial Performance By Municipal Vote.

GT482 Randfontein - Table A3 Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote)										
Vote Description R thousand	Re	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue by Vote	1									
Vote 1 - Municipal Manager		837	2 214	1 987	–	–	–	–	–	–
Vote 2 - Council and Executive		25 377	35 769	92 992	36 632	36 632	36 632	38 355	39 464	40 587
Vote 3 - Financial Management		145 813	122 539	109 744	127 999	147 665	147 665	156 293	164 588	173 474
Vote 4 - Corporate Services		721	2 777	671	3 740	3 335	3 335	3 542	3 741	3 953
Vote 5 - Infrastructure		393 461	475 671	498 101	648 416	632 928	632 928	678 038	725 322	775 898
Vote 6 - Licensing and Traffic		18 623	21 956	27 607	19 884	47 684	47 684	50 640	53 628	56 577
Vote 7 - Development Planning		3 953	8 843	6 794	8 788	7 958	7 958	8 392	8 828	9 259
Vote 8 - Social Services		7 436	9 280	1 748	5 646	4 192	4 192	3 392	3 541	3 580
Total Revenue by Vote	2	596 220	679 048	739 643	851 105	880 393	880 393	938 652	999 113	1 063 328
Expenditure by Vote to be appropriate	1									
Vote 1 - Municipal Manager		14 911	16 185	31 038	12 325	12 766	12 766	11 299	12 991	13 204
Vote 2 - Council and Executive		37 140	57 277	96 264	62 712	59 687	59 687	60 647	64 175	69 748
Vote 3 - Financial Management		42 010	54 096	102 895	67 246	75 519	75 519	98 827	94 006	85 373
Vote 4 - Corporate Services		24 739	36 236	24 525	41 620	42 323	42 323	45 116	47 763	50 388
Vote 5 - Infrastructure		445 529	467 538	480 638	626 095	622 089	622 089	643 409	690 502	738 138
Vote 6 - Licensing and Traffic		31 274	39 979	20 272	40 776	70 223	70 223	74 542	78 940	83 282
Vote 7 - Development Planning		33 543	29 909	18 011	32 475	29 669	29 669	26 627	28 323	29 519
Vote 8 - Social Services		29 153	25 522	24 811	28 278	27 577	27 577	31 599	33 464	33 951
Total Expenditure by Vote	2	658 299	726 742	798 453	911 527	939 853	939 853	992 066	1 050 164	1 103 601
Surplus/(Deficit) for the year	2	(62 078)	(47 694)	(58 810)	(60 423)	(59 459)	(59 459)	(53 414)	(51 051)	(40 273)

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

- a. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Randfontein Local Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

Table 17: MBRR A-4 Consolidated Budgeted Financial Performance (Revenue and Expenditure by type)

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source											
Property rates	2	70 214	65 093	78 443	106 439	106 439	106 439	106 439	112 732	119 831	126 299
Service charges - electricity revenue	2	252 376	297 163	328 863	383 250	383 250	383 250	383 250	411 572	441 987	474 650
Service charges - water revenue	2	50 431	72 513	68 053	115 320	115 320	115 320	115 320	124 661	134 758	145 674
Service charges - sanitation revenue	2	21 230	25 181	30 473	37 142	37 142	37 142	37 142	39 445	41 772	44 070
Service charges - refuse revenue	2	24 260	27 795	35 378	36 753	36 753	36 753	36 753	38 958	41 295	43 773
Service charges - other		4 628	1 063	43	2 713	2 493	2 493	2 493	1 675	1 787	1 906
Rental of facilities and equipment		1 465	1 746	1 987	2 283	2 383	2 383	2 383	2 533	2 686	2 838
Interest earned - external investments		2 184	1 333	2 896	1 440	1 440	1 440	1 440	1 508	1 598	1 686
Interest earned - outstanding debtors		9 072	1 946	8 475	8 000	8 000	8 000	8 000	8 496	8 997	9 492
Fines		7 060	7 258	6 442	2 043	3 744	3 744	3 744	4 006	4 282	4 572
Licences and permits		27	69	57	14 010	43 683	43 683	43 683	86	91	96
Agency services		11 818	13 542	21 107	5 000	2 000	2 000	2 000	48 852	51 734	54 580
Transfers recognised - operational		132 538	133 441	137 118	124 697	126 697	126 697	126 697	130 558	133 915	138 538
Other revenue	2	8 918	30 904	20 309	12 016	11 050	11 050	11 050	13 571	14 379	15 155
Total Revenue (excluding capital transfers and contributions)		596 220	679 048	739 643	851 105	880 393	880 393	880 393	938 652	999 113	1 063 328
Expenditure By Type											
Employee related costs	2	167 974	182 982	192 691	216 103	206 412	206 412	206 412	227 197	242 785	253 467
Remuneration of councillors		10 186	12 790	13 747	15 194	15 194	15 194	15 194	16 465	17 477	18 599
Debt impairment	3	7 844	–	36 128	60 481	60 481	60 481	60 481	33 910	36 310	36 310
Depreciation & asset impairment	2	102 345	107 826	108 185	121 326	121 265	121 265	121 265	109 267	109 813	110 911
Finance charges		5 967	13 937	17 879	8 657	17 625	17 625	17 625	18 614	19 642	20 565
Bulk purchases	2	216 685	271 455	292 648	314 396	314 396	314 396	314 396	339 767	367 186	396 743
Contracted services		28 035	28 041	26 704	26 204	27 804	27 804	27 804	28 864	30 087	30 805
Transfers and grants		475	400	420	420	420	420	420	420	420	420
Other expenditure	4, 5	118 794	111 153	110 052	148 747	176 255	176 255	176 255	217 563	226 443	235 781
Loss on disposal of PPE		(6)	(1 841)								
Total Expenditure		658 299	726 742	798 453	911 527	939 853	939 853	939 853	992 066	1 050 164	1 103 601
Surplus/(Deficit)		(62 078)	(47 694)	(58 810)	(60 423)	(59 459)	(59 459)	(59 459)	(53 414)	(51 051)	(40 273)
Surplus/(Deficit) after capital transfers & contributions		(62 078)	(47 694)	(58 810)	(60 423)	(59 459)	(59 459)	(59 459)	(53 414)	(51 051)	(40 273)
Surplus/(Deficit) after taxation		(62 078)	(47 694)	(58 810)	(60 423)	(59 459)	(59 459)	(59 459)	(53 414)	(51 051)	(40 273)
Surplus/(Deficit) attributable to municipality		(62 078)	(47 694)	(58 810)	(60 423)	(59 459)	(59 459)	(59 459)	(53 414)	(51 051)	(40 273)
Surplus/(Deficit) for the year		(62 078)	(47 694)	(58 810)	(60 423)	(59 459)	(59 459)	(59 459)	(53 414)	(51 051)	(40 273)

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

- a. Total revenue is R938.6 million in 2014/2015 and escalates to R999.1 million and R1, 063 billion respectively. This represents a year-on-year increase of 6.4 per cent for the 2015/2016 financial year and 6.4 per cent for the 2016/2017 financial year.
- b. Revenue to be generated from property rates is R112,7 million for 2014/2015 which represents 12 per cent of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term
- c. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R615 million for the 2014/2015 financial year and increasing to R659 million and R708 million by 2015/2016 and 2016/2017 respectively. For the 2013/2014 financial year services charges amount to 65 per cent of the total revenue base and grow by 7 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.
- d. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government

Table 18: MBRR A5 Consolidated Budgeted Capital Expenditure by Vote

GT482 Randfontein - Table A5 Consolidated Budgeted Capital Expenditure by vote, standard classification and funding											
Vote Description	Re	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Municipal Manager		—	—	—	—	—	—	—	—	—	—
Vote 2 - Council and Executive		—	—	—	371	371	—	—	371	371	—
Vote 3 - Financial Management		—	—	—	—	—	—	—	—	—	—
Vote 4 - Corporate Services		—	—	63	3 437	3 571	—	—	569	800	—
Vote 5 - Infrastructure		—	—	36 222	77 289	79 426	—	—	34 184	48 823	51 852
Vote 6 - Licensing and Traffic		—	—	2 520	2 996	2 996	—	—	237	—	—
Vote 7 - Development Planning		—	—	1 223	1 500	1 200	—	—	—	9 090	—
Vote 8 - Social Services		—	—	12 414	14 614	22 414	—	—	12 144	3 966	8 073
Vote 9 - [NAME OF VOTE 9]		—	—	—	—	220	—	—	—	—	—
Vote 10 - [NAME OF VOTE 10]		—	—	—	50	50	—	—	—	—	—
Vote 11 - [NAME OF VOTE 11]		—	—	—	2 520	2 820	—	—	—	—	—
Vote 12 - [NAME OF VOTE 12]		—	—	—	9 115	9 930	—	—	—	—	—
Vote 13 - [NAME OF VOTE 13]		—	—	—	1 970	1 570	—	—	—	—	—
Vote 14 - [NAME OF VOTE 14]		—	—	—	—	—	—	—	—	—	—
Vote 15 - [NAME OF VOTE 15]		—	—	—	990	2 390	—	—	—	—	—
Capital multi-year expenditure sub-total	7	—	—	52 441	114 852	126 958	—	—	47 504	63 049	59 925
Single-year expenditure to be appropriated	2										
Vote 1 - Municipal Manager		—	—	—	—	—	—	—	—	—	—
Vote 2 - Council and Executive		—	—	—	—	—	—	—	—	—	—
Vote 3 - Financial Management		—	—	—	—	—	—	—	—	—	—
Vote 4 - Corporate Services		—	—	1 338	—	—	—	—	—	—	—
Vote 5 - Infrastructure		—	—	3 536	—	—	—	—	150	8 004	4 795
Vote 6 - Licensing and Traffic		—	—	5	—	—	—	—	—	—	—
Vote 7 - Development Planning		—	—	161	—	—	—	—	—	—	—
Vote 8 - Social Services		—	—	293	—	—	—	—	2 282	4 000	900
Capital single-year expenditure sub-total		—	—	5 333	—	—	—	—	2 432	12 004	5 695
Total Capital Expenditure - Vote		—	—	57 774	114 852	126 958	—	—	49 936	75 053	65 620
Capital Expenditure - Standard											
Governance and administration		6 869	1 110	1 400	5 858	7 032	7 032	7 032	940	3 171	—
Executive and council		2 975	500	—	371	591	591	591	371	2 371	—
Budget and treasury office		98	500	—	50	50	50	50	—	—	—
Corporate services		3 796	110	1 400	5 437	6 391	6 391	6 391	569	800	—
Community and public safety		30 762	19 021	19 151	27 819	35 719	35 719	35 719	15 797	15 555	12 868
Community and social services		25 782	4 016	8 795	22 079	29 049	29 049	29 049	2 791	15 440	8 695
Sport and recreation		1 035	1 005	7 831	354	2 104	2 104	2 104	12 770	116	4 173
Public safety		3 945	14 000	2 525	5 386	4 566	4 566	4 566	237	—	—
Economic and environmental services		18 868	40 714	10 970	41 681	31 484	31 484	31 484	25 320	45 167	35 892
Planning and development		11 550	—	1 384	1 200	1 200	1 200	1 200	600	3 940	900
Road transport		7 318	40 714	9 586	40 481	30 284	30 284	30 284	24 720	41 228	34 992
Trading services		51 413	64 880	26 253	39 494	52 723	52 723	52 723	7 879	11 160	16 860
Electricity		16 731	17 000	10 837	25 550	29 050	29 050	29 050	2 100	5 000	12 700
Water		6 899	10 700	9 171	4 017	13 551	13 551	13 551	1 970	3 660	3 660
Waste water management		2 049	10 000	1 649	252	3 146	3 146	3 146	120	—	—
Waste management		25 734	27 180	4 596	9 675	6 975	6 975	6 975	3 689	2 500	500
Total Capital Expenditure - Standard	3	107 912	125 724	57 774	114 852	126 958	126 958	126 958	49 936	75 053	65 620
Funded by:											
National Government		39 678	31 800	33 059	48 461	54 918	54 918	54 918	33 789	40 071	51 538
Provincial Government		4 000	4 016	978	14 040	13 740	13 740	13 740	456	—	—
Other transfers and grants		—	—	—	—	1 500	1 500	1 500	—	—	—
Transfers recognised - capital	4	43 678	35 816	34 037	62 501	70 158	70 158	70 158	34 245	40 071	51 538
Internally generated funds		64 234	89 909	23 737	52 351	56 800	56 800	56 800	15 691	34 982	14 082
Total Capital Funding	7	107 912	125 724	57 774	114 852	126 958	126 958	126 958	49 936	75 053	65 620

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

- a. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

- b. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2014/2015 R2 million has been allocated to single year appropriations and R47 million has been allocated to multi-year appropriations.
- c. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
- d. The capital programme is funded from capital and provincial grants and transfers, and internally generated funds from current year surpluses. For 2014/2015, capital transfers totals R49.9 million and R75.0 million and R65.6 million has been provided for the two outer years.

Table 19:MBRR A6 consolidated Budgeted Financial Position

GT482 Randfontein - Table A6 Consolidated Budgeted Financial Position											
Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
ASSETS											
Current assets											
Cash		—	97	54 425	3 000	6 669	6 669	6 669	5 030	32 874	88 077
Call investment deposits	1	—	149	—	157	157	157	157	167	176	186
Consumer debtors	1	46 480	103 570	46 643	191 694	46 643	46 643	46 643	39 248	26 419	14 042
Other debtors		313	1 791		9 460	9 460	9 460	9 460	10 046	10 639	11 224
Current portion of long-term receivables		17 170	18 724	22 246	19 772	22 246	22 246	22 246	23 625	25 019	26 395
Inventory	2	6 464	8 215	8 028	8 675	8 028	8 028	8 028	8 525	9 028	9 525
Total current assets		70 427	132 546	131 341	232 758	93 202	93 202	93 202	86 641	104 155	149 449
Non current assets											
Long-term receivables					88 190	88 190	88 190	88 190	93 658	99 184	104 639
Investments		—	10 430		8 941	10 410	10 410	10 410	11 451	12 596	13 856
Investment property		13 469	12 389	120 170	14 223	120 170	120 170	120 170	127 621	135 150	142 584
Investment in Associate						—					
Property, plant and equipment	3	2 613 490	2 607 601	2 549 656	2 579 575	2 508 719	2 508 719	2 508 719	2 451 703	2 354 789	2 309 498
Agricultural				2 244		576	576	576	612	648	683
Biological		859	1 780	972	1 780	2 752	2 752	2 752	2 923	3 095	3 265
Intangible		37 372	36 603	37 038	15 000	37 038	37 038	37 038	39 334	41 655	43 946
Other non-current assets		8 467	266	9 710		2 244	2 244	2 244			
Total non current assets		2 673 657	2 669 068	2 719 790	2 707 710	2 770 099	2 770 099	2 770 099	2 727 301	2 647 117	2 618 470
TOTAL ASSETS		2 744 084	2 801 613	2 851 131	2 940 468	2 863 301	2 863 301	2 863 301	2 813 942	2 751 272	2 767 919
LIABILITIES											
Current liabilities											
Bank overdraft	1	2 832	—	1 408							
Borrowing	4	1 041	1 213	21 924	1 300	1 300	1 300	1 300	1 381	1 462	1 542
Consumer deposits		22 166	24 329	26 069	25 848	26 069	26 069	26 069	27 685	29 318	30 931
Trade and other payables	4	139 004	196 860	173 688	207 237	146 200	146 200	146 200	155 264	164 425	173 468
Provisions		7 545	14 636	3 713	15 661	15 964	15 964	15 964	16 954	17 954	18 942
Total current liabilities		172 588	237 038	226 802	250 045	189 533	189 533	189 533	201 284	213 159	224 883
Non current liabilities											
Borrowing		17 414	42 826	19 138	30 226	30 226	30 226	30 226	32 100	—	—
Provisions		48 290	49 076	69 278	55 170	53 314	53 314	53 314	56 619	59 960	63 257
Total non current liabilities		65 704	91 902	88 415	85 396	83 540	83 540	83 540	88 719	59 960	63 257
TOTAL LIABILITIES		238 292	328 940	315 217	335 441	273 072	273 072	273 072	290 003	273 119	288 141
NET ASSETS	5	2 505 791	2 472 673	2 535 914	2 605 027	2 590 228	2 590 228	2 590 228	2 523 939	2 478 153	2 479 779
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		2 501 958	2 468 840	2 535 914	2 589 047	2 584 248	2 584 248	2 584 248	2 517 588	2 471 428	2 472 683
Reserves	4	3 833	3 833	3 833	15 980	5 980	5 980	5 980	6 351	6 725	7 095
Minorities' interests											
TOTAL COMMUNITY WEALTH/EQUITY	5	2 505 791	2 472 673	2 539 747	2 605 027	2 590 228	2 590 228	2 590 228	2 523 939	2 478 153	2 479 779

Explanatory notes to Table A6 - Budgeted Financial Position

- a. Table A6 is consistent with international standards of good financial management practice, and improves understand ability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).
- b. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
- c. This is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves
- d. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
- e. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 20: MBRR A7 Consolidated Budgeted Cash Flow

GT482 Randfontein - Table A7 Consolidated Budgeted Cash Flows											
Description	Re	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		566 034	532 373	418 913	494 364	551 696	551 696	551 696	725 660	819 935	876 398
Government - operating	1				124 697	124 697	124 697	124 697	130 558	133 915	138 538
Government - capital	1		138 223	146 741	62 501	62 501	62 501	62 501	34 245	40 071	51 538
Interest		11 256	1 333	2 896	9 440	9 440	9 440	9 440	10 004	10 596	11 178
Dividends				36 821							
Payments											
Suppliers and employees		(547 653)	(570 933)	(193 699)	(617 607)	(648 381)	(648 381)	(648 381)	(830 276)	(884 399)	(935 815)
Finance charges		(7 184)	(7 000)	(14 381)	(8 657)	(8 657)	(8 657)	(8 657)	(18 614)	(19 642)	(20 565)
Transfers and Grants	1			(264 249)	(420)	(420)	(420)	(420)	(420)	(420)	(420)
NET CASH FROM/(USED) OPERATING		22 453	93 996	133 042	64 318	90 876	90 876	90 876	51 157	100 056	120 852
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		(72 268)	2 649	(55 194)	5 574	5 574	5 574	5 574	–	–	–
Decrease (Increase) in non-current debt		(535)	(3 468)		(3 816)	(3 816)	(3 816)	(3 816)	(5 468)	(5 526)	(5 455)
Decrease (increase) other non-current		(129)									
Decrease (increase) in non-current investments		–		(1 089)	1 228	1 228	1 228	1 228	1 041	1 145	2 405
Payments											
Capital assets			(125 724)		(62 501)	(85 391)	(85 391)	(85 391)	(39 684)	(68 057)	(62 803)
NET CASH FROM/(USED) INVESTING		(72 931)	(126 544)	(56 283)	(59 515)	(82 405)	(82 405)	(82 405)	(44 111)	(72 438)	(65 854)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		11 744									
Borrowing long term/refinancing		3 452	–	(1 212)						–	–
Increase (decrease) in consumer deposits		2 482	36 518	–	1 348	1 348	1 348	1 348	1 616	1 633	1 613
Payments											
Repayment of borrowing		(1 076)	(1 041)	(21 368)	(3 400)	(3 400)	(3 400)	(3 400)	(10 301)	(1 408)	(1 408)
NET CASH FROM/(USED) FINANCING		16 601	35 477	(22 580)	(2 053)	(2 053)	(2 053)	(2 053)	(8 685)	225	204
NET INCREASE/ (DECREASE) IN CASH		(33 877)	2 929	54 179	2 750	6 419	6 419	6 419	(1 638)	27 843	55 203
Cash/cash equivalents at the year end	2	31 045	(2 832)	97	250	250	250	250	6 669	5 030	32 874
Cash/cash equivalents at the year end	2	(2 832)	97	54 275	3 000	6 669	6 669	6 669	5 030	32 874	88 077

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

- The budgeted cash flow statement is the first measurement in determining if the budget is funded.
- It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
- The approved 2014/2015 MTREF provide for a further net decrease in cash of R1,6 million for the 2014/2015 financial year resulting in an overall projected positive cash position of R5,030 million at year end.

- d. As part of the 2013/2014 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
- e. The 2014/2015 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
- f. Cash and cash equivalents totals R5 million as at the end of the 2014/2015 financial year and escalates to R32 million by 2015/2016.

Table 21: MBRR A8 Consolidated Cash Backed Accumulated Surplus Reconciliation

GT482 Randfontein - Table A8 Consolidated Cash backed reserves/accumulated surplus reconciliation											
Description	Re	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash and investments available											
Cash/cash equivalents at the year end	1	(2 832)	97	54 275	3 000	6 669	6 669	6 669	5 030	32 874	88 077
Other current investments > 90 days		0	149	(1 259)	157	157	157	157	167	176	186
Non current assets - Investments	1	–	10 430	–	8 941	10 410	10 410	10 410	11 451	12 596	13 856
Cash and investments available:		(2 832)	10 676	53 016	12 098	17 236	17 236	17 236	16 648	45 646	102 119
Application of cash and investments											
Unspent conditional transfers		27 099	33 824	45 830	–	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2										
Other working capital requirements	3	51 679	39 354	82 399	9 930	40 378	40 378	40 378	26 655	35 072	50 136
Other provisions											
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investment	5										
Total Application of cash and investments:		78 778	73 178	128 229	9 930	40 378	40 378	40 378	26 655	35 072	50 136
Surplus(shortfall)		(81 610)	(62 503)	(75 213)	2 169	(23 142)	(23 142)	(23 142)	(10 007)	10 574	51 982

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

- a. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
- b. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
- c. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".

d. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

- Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2010/11 MTREF was not funded owing to the significant deficit.
- As part of the budgeting and planning guidelines that informed the compilation of the 2013/2014 MTREF the end objective of the medium-term framework was to ensure the budget is fully funded.

Table 22: MBRR A9 Consolidated Asset Measurement

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
CAPITAL EXPENDITURE										
Total New Assets	1	41 213	33 096	46 556	86 571	103 897	103 897	28 853	31 634	35 271
Infrastructure - Road transport		8 613	2 000	8 827	15 500	9 104	9 104	6 529	9 843	17 497
Infrastructure - Electricity		4 000	1 200	8 387	11 950	26 200	26 200	2 100	5 000	12 700
Infrastructure - Water		13 049	1 000	8 486	14 221	11 234	11 234	—	—	—
Infrastructure - Sanitation		5 027	—	1 257	1 000	1 000	1 000	—	2 000	—
Infrastructure - Other		—	—	4 596	—	270	270	—	—	—
Infrastructure		30 689	4 200	31 553	42 670	47 808	47 808	8 629	16 843	30 197
Community		4 411	10 636	10 917	15 864	23 540	23 540	12 716	3 415	4 054
Other assets	6	6 113	18 260	4 086	28 037	32 550	32 550	7 508	11 376	1 022
Total Renewal of Existing Assets	2	50 231	93 597	11 219	28 681	23 061	23 061	21 083	43 419	30 349
Infrastructure - Road transport		12 000	—	5 416	20 311	16 311	16 311	17 000	26 384	17 494
Infrastructure - Electricity		—	14 480	—	1 600	—	—	—	—	—
Infrastructure - Water		—	2 900	2 044	1 900	1 500	1 500	1 583	3 660	3 660
Infrastructure - Sanitation		—	—	255	1 000	1 000	1 000	500	500	500
Infrastructure - Other		—	17 083	—	400	400	400	—	—	—
Infrastructure		12 000	34 463	7 715	25 211	19 211	19 211	19 083	30 544	21 654
Community		—	26 887	2 280	2 270	2 150	2 150	1 401	12 025	7 795
Investment properties		—	13 469	—	—	—	—	—	—	—
Other assets	6	—	13 929	1 223	1 200	1 700	1 700	600	850	900
Agricultural Assets		—	4 850	—	—	—	—	—	—	—
Biological assets		859	—	—	—	—	—	—	—	—
Intangibles		37 372	—	—	—	—	—	—	—	—
Total Capital Expenditure	4									
Infrastructure - Road transport		20 613	2 000	14 243	35 811	25 414	25 414	23 529	36 228	34 992
Infrastructure - Electricity		4 000	15 680	8 387	13 550	26 200	26 200	2 100	5 000	12 700
Infrastructure - Water		13 049	3 900	10 530	16 121	12 734	12 734	1 583	3 660	3 660
Infrastructure - Sanitation		5 027	—	1 512	2 000	2 000	2 000	500	2 500	500
Infrastructure - Other		—	17 083	4 596	400	670	670	—	—	—
Infrastructure		42 689	38 663	39 269	67 881	67 018	67 018	27 712	47 388	51 852
Community		4 411	37 523	13 197	18 134	25 690	25 690	14 117	15 440	11 846
Investment properties		—	13 469	—	—	—	—	—	—	—
Other assets		6 113	32 189	5 309	29 237	34 250	34 250	8 108	12 226	1 922
Agricultural Assets		—	4 850	—	—	—	—	—	—	—
Biological assets		859	—	—	—	—	—	—	—	—
Intangibles		37 372	—	—	—	—	—	—	—	—
TOTAL CAPITAL EXPENDITURE - A	2	91 443	126 693	57 774	115 252	126 958	126 958	49 936	75 053	65 620
ASSET REGISTER SUMMARY - PPE (WDV)										
Infrastructure - Road transport		8 484	1 059	2 123 378	833 809	833 809	833 809	1 140 143	1 095 079	1 074 012
Infrastructure - Electricity		4 000	—	—	725 072	725 072	725 072	736 612	707 495	693 887
Infrastructure - Water		1 411	—	—	341 709	341 709	341 709	146 503	140 712	138 005
Infrastructure - Sanitation		5 027	1 000	—	154 577	154 577	154 577	227 760	218 757	214 549
Infrastructure - Other		1 228	—	—	51 526	51 526	51 526	31 403	30 161	29 581
Infrastructure		20 150	2 059	2 123 378	2 106 692	2 106 692	2 106 692	2 282 421	2 192 204	2 150 035
Community		34 712	6 861	176 319	286 442	286 442	286 442	169 282	162 590	159 463
Heritage assets		—	—	—	128 814	128 814	128 814	2 244	2 244	2 244
Investment properties		13 469	12 389	120 170	14 223	120 170	120 170	127 621	135 150	142 584
Other assets		17 405	5 810	259 668	57 628	57 628	57 628	—	—	—
Agricultural Assets		—	—	2 244	—	576	576	612	648	683
Biological assets		859	1 780	972	1 780	2 752	2 752	2 923	3 095	3 265
Intangibles		37 372	36 603	37 038	15 000	37 038	37 038	39 334	41 655	43 946
TOTAL ASSET REGISTER SUMMARY	5	123 967	65 502	2 719 790	2 610 578	2 740 111	2 740 111	2 624 436	2 537 586	2 502 220
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment		102 345	107 826	108 185	121 326	121 265	121 265	109 267	109 813	110 911
Repairs and Maintenance by Asset	3	20 759	14 173	12 181	29 718	25 987	25 987	28 534	30 129	31 767
Infrastructure - Road transport		9 334	4 397	2 551	7 017	7 189	7 189	7 635	8 085	8 530
Infrastructure - Electricity		4 218	1 409	2 665	5 611	5 881	5 881	6 427	6 774	7 139
Infrastructure - Water		2 362	2 500	1 772	2 772	2 742	2 742	2 938	3 097	3 264
Infrastructure - Sanitation		1 160	1 461	1 801	2 105	2 105	2 105	2 231	2 351	2 478
Infrastructure - Other		1 930	1 179	1 811	3 059	3 004	3 004	4 122	4 345	4 580
Infrastructure		19 004	10 946	10 600	20 563	20 920	20 920	23 353	24 652	25 992
Community		1 310	2 389	1 404	4 023	3 994	3 994	4 382	4 631	4 884
Heritage assets		—	—	—	—	—	—	—	—	—
Investment properties		—	—	—	—	—	—	—	—	—
Other assets	6, 7	444	838	178	5 131	1 073	1 073	799	845	891
TOTAL EXPENDITURE OTHER ITEMS		123 103	121 999	120 366	151 044	147 252	147 252	137 801	139 942	142 678
Renewal of Existing Assets as % of total		54.9%	73.9%	19.4%	24.9%	18.2%	18.2%	42.2%	57.9%	46.2%
Renewal of Existing Assets as % of depreciation		49.1%	86.8%	10.4%	23.6%	19.0%	19.0%	19.3%	39.5%	27.4%
R&M as a % of PPE		0.8%	0.5%	0.5%	1.2%	1.0%	1.0%	1.2%	1.3%	1.4%
Renewal and R&M as a % of PPE		57.0%	165.0%	1.0%	2.0%	2.0%	2.0%	2.0%	3.0%	2.0%

Explanatory notes to Table A9 - Asset Management

- a. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

Table 23: MBRR consolidated Basic Service Delivery Measurement

GT482 Randfontein - Table A10 Consolidated basic service delivery measurement

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Household service targets	1									
Water:										
Piped water inside dwelling			27 106		28 512	28 512	28 513	29 547	31 024	32 576
Piped water inside yard (but not in dwelling)			4 542							
Minimum Service Level and Above sub-total		–	31 648	–	28 512	28 512	28 513	29 547	31 024	32 576
Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
Total number of households	5	–	31 648	–	28 512	28 512	28 513	29 547	31 024	32 576
Sanitation/sewerage:										
Flush toilet (connected to sewerage)			27 106		34 347	34 347	34 347	38 144	40 051	42 054
Flush toilet (with septic tank)			4 542		2 384	2 384	2 384	2 476	2 600	2 730
Chemical toilet					122	122	122	122	128	135
Pit toilet (ventilated)					642	642	642	642	674	708
Other toilet provisions (> min.service level)					4 893	4 893	4 893	4 893	5 138	5 395
Minimum Service Level and Above sub-total		–	31 648	–	42 388	42 388	42 388	46 277	48 591	51 020
Bucket toilet					241	241	241	241	253	266
Other toilet provisions (< min.service level)					189	189	189	189	198	208
No toilet provisions					481	481	481	481	505	530
Below Minimum Service Level sub-total		–	–	–	911	911	911	911	957	1 004
Total number of households	5	–	31 648	–	43 299	43 299	43 299	47 188	49 547	52 025
Energy:										
Electricity (at least min.service level)			31 648		36 588	36 588	36 588	36 588	36 588	36 588
Minimum Service Level and Above sub-total		–	31 648	–	36 588	36 588	36 588	36 588	36 588	36 588
Total number of households	5	–	31 648	–	36 588	36 588	36 588	36 588	36 588	36 588
Refuse:										
Removed at least once a week			34 111	–	34 111	34 111	34 111	34 111	34 111	34 111
Minimum Service Level and Above sub-total		–	34 111	–	34 111	34 111	34 111	34 111	34 111	34 111
Removed less frequently than once a week			24 100		437	437	437	437	437	437
Using communal refuse dump			6 011		925	925	925	925	925	925
Using own refuse dump			24 100		5 785	5 785	5 785	5 785	5 785	5 785
Other rubbish disposal			24 100		297	297	297	297	297	297
No rubbish disposal					1 746	1 746	1 746	1 746	1 746	1 746
Below Minimum Service Level sub-total		–	78 311	–	9 190	9 190	9 190	9 190	9 190	9 190
Total number of households	5	–	112 422	–	43 301	43 301	43 301	43 301	43 301	43 301
Cost of Free Basic Services provided (R'000)	8									
Water (6 kilolitres per household per month)			13 080		12 000	12 000	12 000	12 000	12 000	12 000
Sanitation (free sanitation service)			6 114		8 000	8 000	8 000	8 000	8 000	8 000
Electricity/other energy (50kwh per household per month)			18 494		24 000	24 000	24 000	24 000	24 000	24 000
Refuse (removed once a week)			7 016		8 000	8 000	8 000	8 000	8 000	8 000
Total cost of FBS provided (minimum social package)		–	44 704	–	52 000	52 000	52 000	52 000	52 000	52 000
Highest level of free service provided										
Property rates (R value threshold)			32 675 000		8 000 000	8 000 000	8 000 000	8 000 000	8 000 000	8 000 000
Water (kilolitres per household per month)			10		15	15	15	15	15	15
Sanitation (kilolitres per household per month)			70		–	–	–	–	–	–
Sanitation (Rand per household per month)			–		76	76	76	76	76	76
Electricity (kwh per household per month)			100		125	125	125	125	125	125
Refuse (average litres per week)			98		120	120	120	120	120	120
Revenue cost of free services provided (R'000)	9									
Property rates (other exemptions, reductions and rebates)					8 000	8 000	8 000	8 000	8 000	8 000
Water			10 813		12 000	12 000	12 000	12 000	12 000	12 000
Sanitation			6 114		8 000	8 000	8 000	8 000	8 000	8 000
Electricity/other energy			18 494		24 000	24 000	24 000	24 000	24 000	24 000
Refuse			7 016		8 000	8 000	8 000	8 000	8 000	8 000
Total revenue cost of free services provided (total social package)		–	42 437	–	60 000	60 000	60 000	60 000	60 000	60 000

Explanatory notes to Table A10 - Basic Service Delivery Measurement

- a. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
- b. The municipality continues to make good progress with the eradication of backlogs:
 - Water services – backlog will be reduced by over 1200 households in 2014/2015 to just 700 households. These households are largely found in “reception areas” and will need to be moved to formal areas so that they can receive services.
 - Sanitation services – backlog will be reduced by over 2000 households over the MTREF. The number of households with no toilet provision will be only 481 in 2014/2015 as compared to 43 000 households
 - Electricity services – backlog will be reduced by 500 households. As indicated elsewhere, the emphasis in the electricity sector is on addressing urgent network upgrades. Once the most pressing network issues have been addressed, the electrification programme will be prioritised; with 1000 households budgeted to be electrified in 2014/15.
 - Refuse services – backlog will be reduced by 7 000 households in 2014/2015, and a further 7000 households in the outer two years of the MTREF. However it should be noted that this function is being investigated with a view to realising greater efficiencies, which is likely to translate into a more rapid process to address backlogs.
- c. The budget provides for 8000 households to be registered as indigent in 2014/2015, and therefore entitled to receiving Free Basic Services. The number is set to increase to 10 000 households given the rapid rate of in-migration to town, especially by poor people seeking economic opportunities.
- d. It is anticipated that these Free Basic Services will cost the municipality R60 million in 2014/2015. This is covered by the municipality’s equitable share allocation from national government.
- e. It needs to be seen within the context of the municipality’s overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services.

Part 2 – SUPPORTING DOCUMENTATION

Section 53 of the MFMA requires the Executive Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Executive Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality, meeting under the chairpersonship of the MMC for Finance. The primary aim of the Budget Steering Committee is to ensure that:

- the process followed to compile the budget complies with legislation and good budget practices;
- there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1 Budget Process Overview

In terms of section 21 of the MFMA, the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2013) a time schedule that sets out the process to revise the IDP and prepare the budget. The Executive Mayor tabled in Council the required the IDP and budget time schedule on 31 August 2013. Key dates applicable to the process were as indicated in table 24 below.

Table 24: Schedule of key deadlines for the IDP/ Budget process

PHASE	MONTH	DATE	REFERENCE	ACTIVITY/IES	RESOURCE PERSON
Preparation	July			Review of the previous year's budget process by completing the budget evaluation checklist	CFO
			MFMA	Drafting of IDP, Budget and PMS process plan	IDP Manager PMS Manager
				Submission and presentation of draft IDP Process Plan to the District IDP Rep Forum for alignment	IDP Manager
			PMS Framework	Adoption of the PMS Framework	Council
	August			Working sessions on situational analysis: <ul style="list-style-type: none"> IDP implementation analysis Financial analysis Situational Analysis Imbizo Working Document Demarcation Board questionnaire 	All Directorates
			MFMA	4th (April – June) quarter assessment report and annual report presented to the PAC	PMS Manager
			MFMA 53 (3 (a) and (b)	Make public the SDBIP and Performance Agreements	PMS Manager
			MFMA 75 (1) (d)	Place annual performance agreements on the website	PMS Manager

PHASE	MONTH	DATE	REFERENCE	ACTIVITY/IES	RESOURCE PERSON
Preparation	August cont.			Establish IDP/Budget Committee and confirm internal & external consultation forums (consultation itinerary)	Executive Mayor
			MFMA 21	Adoption of IDP, Budget and PMS Process Plan by Council	Council
			MFMA 21	Publication of the Process Plan	IDP Manager
			MSA 34	IDP Rep Forum Meeting: presentation of approved process plan, revision of sector plans, presentation of TOP Layer SDBIP and budget related policies	IDP Manager PMS Manager IDP/PMS Manager
			MFMA & MSA	Submission of the 2011/12 performance report to the office of the Auditor General	PMS Manager
Analysis	October	09-30	MSA 34	Public Participation Process: wards visit	Executive Mayor/ Speaker
			MSA 34	Conclude initial consultations and reviews , establish direction and policy, confirm priorities, identify other financial and non-financial budget parameters including government allocations to determine revenue envelope, and financial outlook to identify need to review fiscal strategies (Implementation of Imbizo programme)	IDP Manager

PHASE	MONTH	DATE	REFERENCE	ACTIVITY/IES	RESOURCE PERSON
Analysis	October	06	MSA 34	Engage with Provincial and National sector departments on sector service delivery priorities for alignment with municipality developments plans	IDP/PMS Manager
				Working sessions on community needs and projectization <ul style="list-style-type: none"> Finalisation of the analysis phase within all sector plans Analyse the reviewed community needs and priorities Determine strategic objectives for service delivery and development from next three year budget Budget document and guidelines Consider comments of the MEC on assessment of the draft IDP and incorporate programmes and projects of other spheres of government (Work session) 	IDP/PMS Manager
			MSA 34	1 st quarter performance assessment	PMS Manager
				IDP/Budget Steering Committee meeting	Accounting Officer
Strategies	November			Annual review retreat <ul style="list-style-type: none"> Revision of vision and mission Strategic Objectives Direction to guide compilation of the budget. Financial analysis 1. Factors affecting the medium term budget forecasts and the budget assumption	Manager Strategy & PMS Manager

PHASE	MONTH	DATE	REFERENCE	ACTIVITY/IES	RESOURCE PERSON
Strategies	November	26	MSA34	IDP Rep. Forum Compile and distribute budget guidelines, parameters and formats	IDP Manager CFO
				Submission of Operating budget and Capital Estimates to the Finance and Budget Office	All Directorates
				Review tariffs and charges and prepare proposals of new rates	CFO
				Draft or review budget related policies such credit control and indigent policy, tariff policy, budget policy etc.	CFO
Strategies	December		MFMA	Finalise first draft of annual departmental operational plans, service delivery and budget implementation plan for reviewing against strategic priorities	PMS Manager
			MFMA (1)	Finalise first draft of the annual report including annual report of the entity incorporating financial and non-financial information on performance, audits reports and annual financial statements	PMS Manager
			MFMA 54 (1)	Review implementation of the SDBIP, identify problems, amend or recommend appropriate amendments	PMS Manager
				Submission of revised/updated sector plans for inclusion in the IDP	All Directorates

PHASE	MONTH	DATE	REFERENCE	ACTIVITY/IES	RESOURCE PERSON
Projects	January		MSA & Municipal Planning and Perf.Managmnt Regulations	Mid-term performance review for : • Indicators and targets • Budget adjustment	PMS Manager & CFO
			MFMA & MSA	Mid-year performance assessment report submitted to council, OAG, national and provincial treasury and the provincial Department of Developmental Local Government and Traditional Affairs.	Accounting Officer
				Consolidate and prepare proposed budget and plans for next financial years taking into account previous year performance as per audited financial statements	CFO
				Tabling of the previous year's annual report with details of corrective actions undertaken arising from the audit report	PMS Manager & All Directors
			MSA 46 MFMA 21	Tabled mid-term performance and budget adjustments reports	Executive Mayor
			MSA 34	IDP/Budget Steering committee – analysis of adjustment budget	Accounting Officer
	February		MSA	IDP/Budget steering committee: screening and first presentation- preliminary projects estimates	Accounting Officer
				Consideration of the annual report and conducting of public hearings	Executive Mayor, Speaker, PMS Manager, Manager strategic support
			MFMA	2 nd (October – December) quarterly report to Performance Audit Committee	PMS Manager
				Tabling of a revised budget through adjustment budget	CFO

PHASE	MONTH	DATE	REFERENCE	ACTIVITY/IES	RESOURCE PERSON
Projects	February			Review proposed national and provincial allocations to municipality to include into draft budget for tabling (Cluster Meetings)	
		09	MSA	Joint IDP and Finance Portfolio committee	Accounting Officer
	March	30	MFMA	Draft IDP, Budget and SDBIP presented to Council	CFO, Manager IDP & PMS
			MFMA	Submission of Oversight report	Chairperson of Oversight Committee
Integration	April			Draft IDP publicized for public comments	IDP Manager
				IDP Rep. Forum meeting: Public comments invited in connection with the IDP and budget (workshop)	IDP Manager
				Presentation of tariff policies	CFO
				3 rd quarter Performance reviews	PMS Manager
			MSA	Feedback from communities for incorporation into the budget & IDP	IDP Manager CFO
Approval	May	09	MFMA	3 rd (January – March) quarterly report to the MPAC	PMS Manager
				Tabled annual budget with resolution, setting taxes and tariffs, with changes to IDP and budget related policies, including measurable performance objectives for revenue by source and expenditure by vote for approval of Council before start of budget year	Accounting Officer
				Prepare the final budget documentation for approval taking into account any other new information of a material nature	CFO
			MSA	Final draft IDP, Budget, SDBIP tabled for approval	IDP Manager PMS Manage

PHASE	MONTH	DATE	REFERENCE	ACTIVITY/IES	RESOURCE PERSON
Approval	June	1 st Week	Municipal Finance Management Act 75	New Tariffs published	CFO
			MSA & MFMA	Approved Budget and IDP published / advertised for public inspection	IDP Manager
			Circular: NT MFMA & MSA	MM's draft Performance Agreement submitted to the EM	PMS Manager
				Directors' Performance Agreements submitted to the MM	PMS Manager
			Circular: NT & MFMA	Approved budget, IDP and SDBIP submitted to National Treasury and MEC for Department of Developmental Local Government and Traditional Affairs.	CFO
			MFMA	Approved service delivery and budget implementation plans publicised for information and monitoring purpose.	PMS Manager
			MFMA	- Submit annual budget reports to National & Provincial Treasuries and District Municipality - Notify department of Local Government in the province about the budget approval - IDP, annual and adjustment budget, budget related policies, annual report, service delivery agreements, long term borrowing contracts published on Council website	IDP Manager
			MFMA	Make performance agreement public within 14 days after approval	PMS Manager

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.2 IDP and Service Delivery and Budget Implementation Plan

This is the fourth review of the IDP as adopted by Council in May 2012. It started in September 2012 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2013/2014 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2014/2015 MTREF, based on the approved 2013/2014 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections. With the compilation of the 2014/2015 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2012/2013 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2014/2015 MTREF, extensive financial modelling was undertaken to ensure affordability in the long-term and financial sustainability. The following key factors and planning strategies have informed the compilation of the 2014/2015 MTREF:

- The municipality growth;
- Policy priorities and strategic objectives;
- Asset maintenance;

- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns);
- Performance trends;
- The approved 2013/2014 adjustments budget and performance against the SDBIP;
- Cash Flow Management Strategy;
- Debtor payment levels;
- Loan and investment possibilities;
- The need for tariff increases versus the ability of the community to pay for services; and
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51, 54, 68, 70 and 72 has been taken into consideration in the planning and prioritisation process.

2.4 Community Consultation

The draft 2014/2015 MTREF is scheduled to be tabled in council on the 28 March 2014 for community consultation. The document will be published in the municipality's website, and hard copies will be made available at customer care offices, municipal notice boards and various libraries.

All documents in the appropriate format (electronic and printed) will be provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees will be utilised to facilitate the community consultation process from date 9th April to 9th May 2014, and includes public briefing sessions. The applicable dates and venues will be published in the HEARLD local newspapers and average attendance of 50-100 is expected to attend the meeting.

2.5 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilize integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of

office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget.

An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery. Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by the municipality correlates with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the municipality's strategically complies with the key national and provincial priorities. The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance.

One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipalities response to these requirements. The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in

a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2014/2015 MTREF and further planning refinements that have directly informed the compilation of the budget

Build better communities and good governance - Strive to build a united, non-racial, non-sexiest, competitive and prosperous community and contribute towards building a metropole from of government.

Enhance financial sustainability -Strategies to ensure financial stability by raising revenue strategies, asset management, and financial management, enhance cost effectiveness and capital investment programmes.

Accelerate an inclusive growing economy - Encouraging the creation of job opportunities, SMME's development, provide for proper service to all the resident, and land use management for all the community of Randfontein and promote agricultural development.

Quality Living Environment - To render comprehensive primary health care services, fight spread of HIV/AIDS, promote SRA activities and library information services to the entire community of Randfontein.

Safe, Healthy and Secure Environment -To ensure that all citizens living in Randfontein and passing through Randfontein are safe and adhere to all provisions of National Road Traffic Act.

Operations and Support Services - Develop information technology system, secretarial support, legal support, administrative of all municipal support and training for municipal workers.

Establish effective and efficient services - Provide quality and sustainable electrical services, maintain road networks and storm water drainage system for all the community of Randfontein, effective on-going water and sanitation services, waste management services in an effective manner, and parks and cemetery development in order to protect human health and well-being environment.

Enhance effective, accountable and clean institutional management and corporate, governance. Accelerated provision of effective, efficient and quality services and encourage cooperative governance and the involvement of all other stakeholders to provide a better life for all.

In order to ensure integrated and focused service delivery between all spheres of government, it was important for the Randfontein Local Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements. Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

- a. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide electricity;
 - Provide water;
 - Provide sanitation;
 - Provide waste removal;
 - Provide roads and storm water; and
 - Maintaining the infrastructure of the municipality.
- b. Economic growth and development that leads to sustainable job creation by:
 - Ensuring there is a clear structural plan for the Municipality;
 - Ensuring planning processes function in accordance with set timeframes; and
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- c. Fight poverty and build clean, healthy, safe and sustainable communities through:
 - Effective implementation of the Indigent Policy;
 - Working with the provincial department of health to provide primary health care services;
 - Extending waste removal services and ensuring effective municipal cleansing;
 - Ensuring all waste water treatment works are operating optimally;
 - Working with strategic partners such as SAPS to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning; and
 - Promote environmental sustainability by protecting wetlands and key open spaces

The 2014/2015 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 25: Reconciliation of IDP strategic objectives and budget (Revenue)

GT482 Randfontein - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	Goal	Goal Code	Ret	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand												
Council and Executive				25 377	35 769	92 992	36 632	36 632	36 632	38 355	39 464	40 587
Build better communities and good governance	Strive to build a united, non racial, non sexist, competitive and prosperous community and contribute towards building a metropole from of government.											
Financial Management				145 813	122 539	109 744	127 999	147 665	147 665	156 293	164 588	173 474
Enhance financial sustainability	Strategies to ensure financial stability by raising revenue strategies, asset managent, financial management, enhance cost effectiveness and capital investment programmes.											
Development Planning/LED				3 953	8 843	6 794	8 788	7 958	7 958	8 392	8 828	9 259
Accelerate an inclusive growing economy	Encouraging the creation of job opportunities, SMME's development, provide for proper service to all the resident, and land use management for all the community of Randfontein and promote agricultural development.											
Social Services				7 436	9 280	1 748	5 646	4 192	4 192	3 392	3 541	3 580
Quality Living Environment	To render comprehensive primary health care services, fight spread of HIV/AIDS, promote srac activities and library information services to the entire community of Randfontein.											
Public Safety				18 623	21 956	27 607	19 884	47 684	47 684	50 640	53 628	56 577
Safe, Healthy and Secure Environment	To ensure that all citizens living in Randfontein and passing through Randfontein are safe and adhere to all provisions of National Road Traffic Act.											
Corporate Services				721	2 777	671	3 740	3 335	3 335	3 542	3 741	3 953
Operations and Support Services	Develop information technology system, secretarial support, legal support, administrative of all municipal support and training for municipal workers.											
Infrastructure				393 461	475 671	498 101	648 416	632 928	632 928	678 038	725 322	775 898
Establish effective and efficient services	Provide quality and sustainable electrical services, maintain road networks and storm water drainage system for all the community of randfontein, effective ongoing water and sanitation services,waste management services in an effective manner, and parks and cemetry development in order to protect human helalth and well being environment.											
Municipal Manager				837	2 214	1 987						
Enhance effective, accountable and clean institutional management and corporate governance	Accelerated provision of effective, efficient and quality services and encourage cooperative governance and the involvement of all other stakeholders to provide a better life for all.											
Allocations to other priorities			2									
Total Revenue (excluding capital transfers and contributions)			1	596 220	679 048	739 643	851 105	880 393	880 393	938 652	999 113	1 063 328

Table 26: Reconciliation of IDP strategic objectives and budget (Operating Expenditure)

GT482 Randfontein - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
Council and Executive											
Build better communities and good governance	Strive to build a united, non racial, non sexist, competitive and prosperous community and		37 140	57 277	96 264	62 712	59 687	59 687	60 647	64 175	67 608
Financial Management											
Enhance financial sustainability	Strategies to ensure financial stability by raising revenue strategies, asset management, financial management,		42 010	54 096	107 895	67 246	75 519	75 519	98 827	94 006	85 373
Development Planning/LED											
Accelerate an inclusive growing economy	Encouraging the creation of job opportunities, SMME's development, provide for proper service to all the		33 543	29 909	18 011	32 475	29 669	29 669	26 627	28 323	29 519
Social Services											
Quality Living Environment	To render comprehensive primary health care services, fight spread of HIV/AIDS, promote srac activities and		29 153	25 522	27 811	28 278	27 883	27 883	31 599	33 464	33 951
Public Safety			31 274	39 979	20 272	40 776	70 223	70 223	74 542	78 940	83 282
Safe, Healthy and Secure Environment	To ensure that all citizens living in Randfontein and passing through Randfontein are safe and adhere to										
Corporate Services			24 739	36 236	24 525	41 620	42 323	42 323	45 116	47 763	50 388
Operations and Support Services	Develop information technology system, secretarial support, legal support, administrative of all										
Infrastructure			445 529	467 538	485 862	626 095	621 773	621 773	643 409	690 502	740 278
Establish effective and efficient services	Provide quality and sustainable electrical services, maintain road networks and storm water drainage system for all the community of randfontein, effective ongoing water										
Municipal Manager			14 911	16 185	17 813	12 325	12 766	12 766	11 299	12 991	13 204
Enhance effective, accountable and clean institutional management and corporate governance	Accelerated provision of effective, efficient and quality services and encourage cooperative governance										
Total Expenditure		1	658 299	726 742	798 453	911 527	939 842	939 842	992 066	1 050 164	1 103 602

Table 27: Reconciliation of IDP strategic objectives and budget (Capital Expenditure)

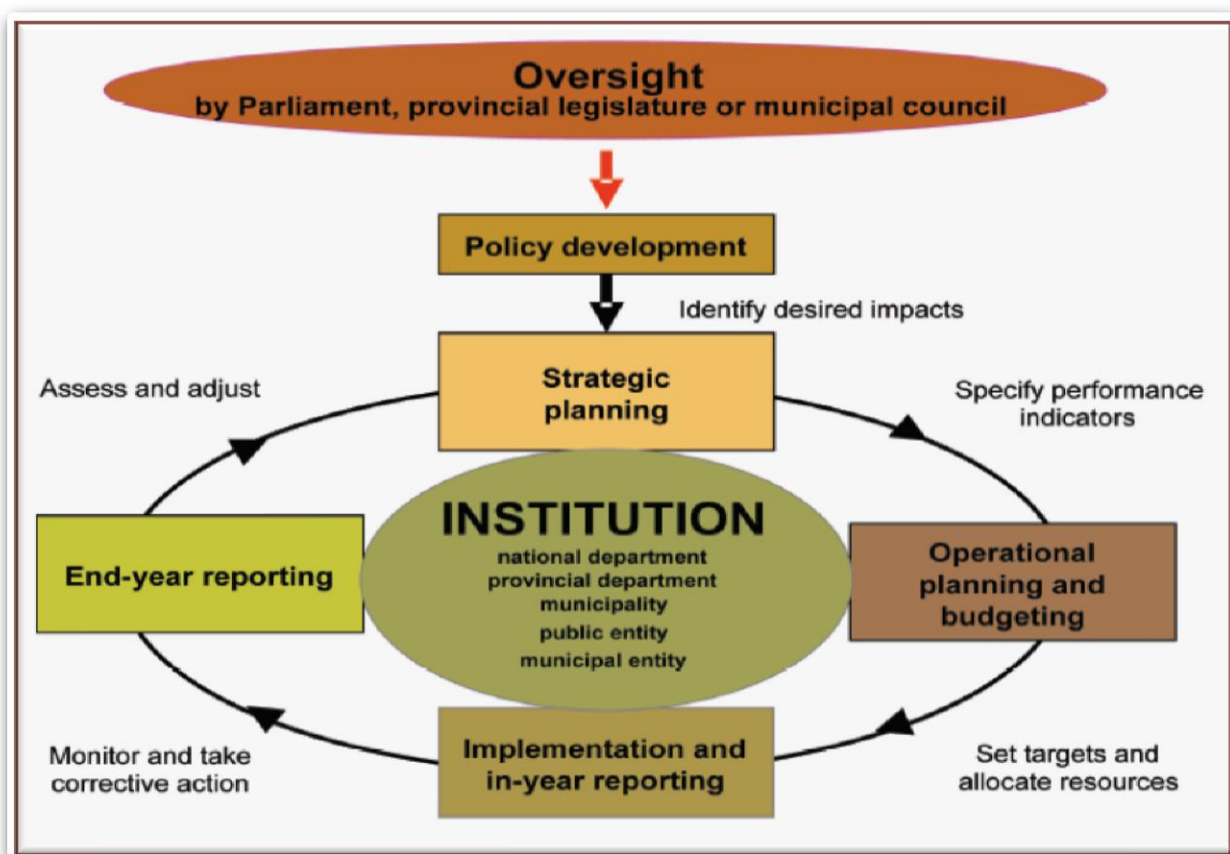
GT482 Randfontein - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	Goal Code	Ref	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
Council and Executive		A		–	371	371	371	371	371	–
Build better communities and good governance	Strive to build a united, non racial, non sexist, competitive and prosperous community and contribute towards building a metropole from of government.	B								
Financial Management		C		–	50	50	50			
Enhance financial sustainability	Strategies to ensure financial stability by raising revenue strategies, asset management, financial management, enhance cost effectiveness and capital investment programmes.	D								
Development Planning/LED		E		1 384	1 500	1 200	1 200	–	9 090	–
Accelerate an inclusive growing economy	Encouraging the creation of job opportunities, SMME's development, provide for proper service to all the resident, and land use management for all the community of Randfontein and promote agricultural development.	F								
Social Services		G		12 707	15 604	24 804	24 804	14 426	7 966	8 973
Quality Living Environment	To render comprehensive primary health care services, fight spread of HIV/AIDS, promote srac activities and library information services to the entire community of Randfontein.									
Public Safety				2 525	4 966	4 566	4 566	237	–	–
Safe, Healthy and Secure Environment	To ensure that all citizens living in Randfontein and passing through Randfontein are safe and adhere to all provisions of National Road Traffic Act.									
Corporate Services				1 400	5 957	6 391	6 391	569	800	–
Operations and Support Services	Develop information technology system, secretarial support, legal support, administrative of all municipal support and training for municipal workers.									
Infrastructure		H		39 758	86 404	89 356	89 356	34 334	56 827	56 646
Establish effective and efficient services	Provide quality and sustainable electrical services, maintain road networks and storm water drainage system for all the community of randfontein, effective ongoing water and sanitation services,waste management services in an effective manner, and parks and cemetery development in order to protect human helalth and well being environment.	I								
Municipal Manager		J		0	–	220	220			
Enhance effective, accountable and clean institutional management and corporate governance	Accelerated provision of effective, efficient and quality services and encourage cooperative governance and the involvement of all other stakeholders to provide a better life for all.	K								
Total Capital Expenditure			1	57 774	114 852	126 958	126 958	49 936	75 053	65 620

2.6 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

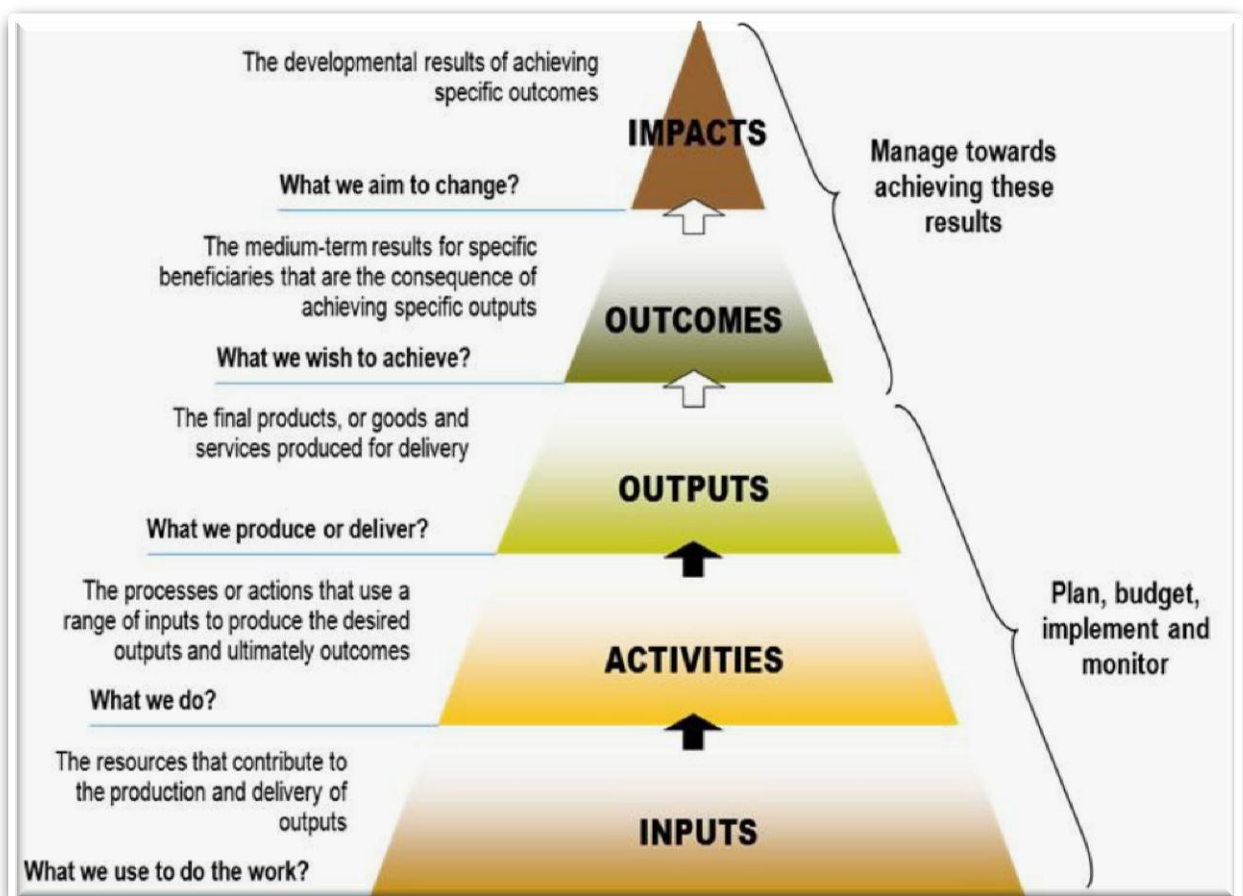
At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



The performance of the municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the municipality in its integrated performance management system are aligned to the Framework of Managing Programme Performance Information issued by the National Treasury which is depicted below:



The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 28: Measurable performance objectives

GT482 Randfontein - Supporting Table SA7 Measureable performance objectives

Description	Unit of measurement	2014/15 Medium Term Revenue & Expenditure Framework		
		Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Vote 1 -Infrastructure				
Function 1 - (infrastructure)				
Sub-function 1 - (Roads and storm water)				
Maintance of roads and storm water	Km	7 040 104	7 455 470	7 865 521
reduce roads backlog				
Sub-function 1 -(roads and storm water)				
Rehabilitation of roads in mohlakeng(capex)	km	12 000 000	12 494 326	12 494 326
UPGRADING AND CONTRUCTION OF STORMWATER(capex)	Km	0	5 000 000.00	5 000 000.00
Sub-function 2- Water				
Household provided with water connection	number of household			
upgrade and replace of water pipelines	number of household	3 000 000	3 578 637	-
repairs and maintance of water meters	number of water meters	4 466 107	4 466 107	4 466 107
reticulation of water networks in mohlakeng'	number o f meters	0	2 000 000	0
Sub-function 3-(sanitation)				
household with sanitation connection	number			
	meters	2 187 653	2 278 786	2 374 841
maintenance: sanitation				
	meters			
Sub-function 4 - (Energy and Electricity)				
House electrified to eridicate backlog,	household			
new connections	meter	1 054 000	1 110 916	1 170 905
maintance:streetlighting		1 060 000	1 117 240	1 177 571
Maintanace:electricity	household	4 312 660	4 198 504	4 078 184
Mohlakeng Ext 11 132/11 kv Sub - Station (Phase 1& 2) and Feeder Line		-	5 000 000	12 700 000
Sub-function 5 - (parks and cemetery)				
providing of cemetery to all household	wards			
Refurbishment of cemetries infrastructure		-	600 000	-
maintanace:parks and cemetery		1 137 770	1 208 312	1 279 602
Vote 2 - Social Development				
Function 2 - social development				
Sub-function 1 - HIV/AIDS				
Provide health care facilities to the infacted people	number of people	700 000	700 000	700 000
Sub-function 2 - (social development)				
Construction of the Early Childhood Development	child care	600 000	-	-
Toekomsrus Sports Complex(Phase1)	% completion	9 833 867	-	-
Mohlakeng Stadium		1 000 000		-
Sub-function 3 - (Mainace Structure)				
building and facillies maintance	Number of building			
building maintance		3 840 470	4 265 604	4 500 078
Function 3 - (Development Planning)				
Sub-function 1 - (LED)				
SMME AND JOB CREATION	Number of people			
Small Business Development Centre	Number of people	-	6 000 000	-
Elandsfontein Food Production Units	Number of people	-	3 089 698	-
eradication of informal settlement:Township ESTABLISHMENT	Number of people	400 000	421 600	444 366
And so on for the rest of the Votes				

2.7 Budget related policies

Randfontein Local Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The following policies have been reviewed and tabled to Council with the budget:

- Property rates;
- Debt and credit control;
- Budget implementation and monitoring;
- Supply Chain Management;
- Indigent consumers;
- Funding and reserves;
- Cash and Investment management;
- Long term financial plan;
- Tariffs
- Borrowing;
- Management and Disposal of Assets; and
- Infrastructure Investment and Capital Projects.
- Virement Policy
- Bad Debt Write off
- Unauthorized, Fruitless and Wasteful Expenditure policy

The 2014/15 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 85 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the municipality's cash levels. Finally, debt owed by Councillors and municipal staff has been prioritised for speedy recovery. The credit control and debt collection policy has prioritised this area to show an **example of the debt collection initiatives by the Municipality**.

2.8 Overview of the budget assumptions

2.8.1 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2014/2015 MTREF, namely:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on the residents and businesses;
- The impact of municipal cost drivers;

- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 27.7 per cent of total operating expenditure in the 2014/2015 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.

2.8.2 Interest Rates on borrowing and Investment of Funds

The MFMA stipulates that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The municipality is currently having a long term borrowing with the DBSA taken in 2000 at an interest of 15%

2.8.3 Collection rate for revenue services

The base assumption is that tariffs and rates will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term. The rate of revenue collection is currently expressed as a percentage 95 per cent of annual billings. Cash flow is assumed to be 95 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.8.4 Growth or decline in tax base of the municipality

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, and real growth of the municipality, household formation growth rate and the poor household change rate.

2.9 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

2.9.1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved.

2.9.2 Internship programme

The municipality is participating in the Municipal Financial Management Internship programme. During the 2013/14 financial year, the municipality has employed 5 interns to undergo training in various divisions of the BTO. The Municipality managed to employ permanently two of the interns in the current financial year 2013/14. The BTO is headed by the Chief Financial Officer who is on a **three** year contract, expiring in February 2017.

2.9.3. Audit Committee

A shared Audit Committee has been established and is fully functional.

2.9.4. Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2014/2015 MTREF budget in May 2014 directly aligned and informed by the 2014/2015 MTREF budget and Integrated Development Plan.

2.9.5. Annual Report

Annual report is compiled in the new formats as prescribed by the National Treasury

2.10 Municipal Manager's quality certificate

I, Acting Municipal Manager of Randfontein Local Municipality, hereby certifies that the annual 2014/15 budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name **Mpho Raymond Mogale**

Acting Municipal Manager of Randfontein Local Municipality (GT482)

Signature _____

Date _____